OKLAHOMA 98

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1998

Frank Keating
Governor

Prepared by

Office of State Finance

Tom Daxon, Director
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

December 28, 1998

To the Honorable Frank Keating, Governor
Members of the Legislature, and
Citizens of the State of Oklahoma

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 1998. This report, presented in three sections: Introductory, Financial, and Statistical, is the primary means of reporting the State government's financial activities. The Introductory Section contains an overview of the State's economic performance, a review of current initiatives, and summary financial data. The Financial Section contains the general purpose financial statements and the combining and individual fund and account group statements and schedules. The Statistical Section contains selected financial and demographic information.

Management of the State, through the Office of State Finance (OSF), is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the State's financial position and activities. The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, account groups, agencies, boards, commissions, and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the State financial reporting entity includes fifteen component units. These component units, one governmental activity, thirteen proprietary activities and the State's higher education institutions, are discretely presented in the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive location in which to live and conduct commerce. The state enjoys a very low cost of doing business, has a highly skilled work force and is geographically well positioned for interstate commercial activity. For example, Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation’s most important transportation and shipping corridors, allowing the state to take advantage of growth in these and many other industries. Oklahoma ranks 25th among the 50 states in full-time equivalent college enrollment as a percentage of population. At the same time, our pioneering Vo-Tech system is a national leader in developing training programs for industry. Oklahoma remains committed to improving its quality education system.

Oklahoma is also known for its abundant resources. The state remains a leading producer of oil and natural gas, allowing Oklahoma manufacturers to take advantage of some of the lowest energy prices in the nation. Oklahoma is a leading

producer of agricultural products, ranking in the top ten in production of wheat, peanuts, grain sorghum, pecans, rye, hogs and cattle. Oklahomans also enjoy many opportunities for outdoor recreation and, due to its many man-made reservoirs, Oklahoma has more miles of shoreline than any other state.

Oklahoma's real gross state product for 1997 was $67.7 billion, up 1.9% from the previous year. This compares with 3.9% growth in the national gross domestic product. Oklahoma's per capita income for 1997 was $20,214, which is 79.9% of the national average, and ranks Oklahoma 44th among the states. Adjusting for cost of living, Oklahoma is at 92.4% of the national average or 43rd in the nation. Our per capita income was up 4.4% from 1996, trailing average gains nationally of 4.7%.

Oklahoma continues to enjoy a low unemployment rate. Estimates for 1998 reflect a favorable 4.1% rate in Oklahoma versus a 4.9% rate nationally. With a population of approximately 3.3 million people, Oklahoma is the 27th most populous state.

Oklahoma has a rich heritage in diversity of cultures. Most of what is now Oklahoma was originally set aside as Indian Territory. As a result, Oklahoma is home to 39 tribal headquarters and more people of Native American descent than any other state. Colorful pow-wows that keep alive sacred Native American traditions are a regular feature in all parts of the state.

FINANCIAL CONDITION OF STATE GOVERNMENT

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. An independent board not subject to legislative control makes the revenue estimate. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people.

The impact of these fiscally conservative rules, however, has been to some extent offset by the practice of granting pension benefits and incurring other liabilities without providing the long range funding required to assure that the State will be able to pay those amounts when they become due. The Teachers and Firefighters pension plans and the State's Special Indemnity Fund will all require additional future funding to meet existing liabilities. Meanwhile, Oklahoma continues to face the challenge presented by devolution of many federal programs. Significant changes in funding for major welfare and transportation programs are already under way and Oklahoma is responding.

In spite of these challenges, the State's overall financial condition is healthy. A small general obligation debt load and the growing balance in the State's "Rainy Day Fund" provide ample room to address unforeseen emergencies.

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

Despite our many achievements, we can do better and accomplish more. We enjoy many advantages that should enable Oklahomans to enjoy a higher standard of living. With particular emphasis on improving personal per capita income, our sights are set on implementing policies that will allow Oklahomans to realize their potential.

With the advantages provided by its labor force, location, and culture, our goal is to complement these advantages with a results-oriented, business-friendly government.

Oklahoma wants to be the nation's friendliest state to small and growing businesses. Several initiatives are underway to achieve this goal, including: 1) worker's compensation reform, 2) education reform, 3) road improvements, 4) tax relief targeted to encourage economic growth, and 5) cost-effective service delivery.

Highlights of the fiscal 1998 and fiscal 1999 budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	1998	1999	1998	1999	1998	1999	1998	1999
Dept. of Education	$ 1,626	$ 1,739	36%	36%	$ 92	$ 113	6%	7%
Regents for Higher Ed.	693	758	15%	16%	57	65	9%	9%
Dept. of Vo-Tech	108	117	2%	2%	12	9	13%	8%
Other education	20	20	0%	0%	4	0	25%	0%
Total Education	2,447	2,634	54%	54%	165	187	7%	8%
Dept. of Human Services	336	340	7%	7%	3	4	1%	1%
Health Care Authority	314	326	7%	7%	24	12	8%	4%
Office of Juvenile Affairs	88	98	2%	2%	3	10	4%	11%
University Hospitals Auth.	27	27	1%	1%	1	0	4%	0%
Dept. of Rehab. Services	23	23	1%	0%	1	0	5%	0%
Total Human Services	788	814	17%	17%	32	26	4%	3%
Dept. of Corrections	297	331	7%	7%	49	34	20%	11%
Dept. of Transportation	293	331	6%	7%	80	38	38%	13%
Dept. of Mental Health	122	128	3%	3%	3	6	3%	5%
Dept. of Health	56	67	1%	1%	9	11	19%	20%
Dept. of Public Safety	56	62	1%	1%	1	6	2%	11%
Other	460	519	11%	11%	30	59	7%	13%
Total	$ 4,519	$ 4,886	100%	100%	$ 369	$ 367	9%	8%

The 1998 legislative session saw the enactment of the largest tax cut in Oklahoma history. This package, which is estimated to have a fiscal impact of just over $100 million spread over the next several years, provides relief from individual income taxes, sales taxes and estate taxes. For the first time ever, Oklahoma reduced its personal income tax rate. Effective January 1, 1999, a new top rate of 6.75% will replace the existing 7% rate.

In an effort to improve the quality of higher education as well as to encourage economic development, legislation was enacted which authorized the use of university facilities for research and development of privately managed technology projects. Companion legislation authorized colleges and universities to own an equity interest in private ventures connected with the development of technology. Both of these measures were later ratified by a vote of the people in a statewide election.

Oklahoma, with a system of two comprehensive universities, eleven four-year colleges, and twelve two-year colleges, has long been a leader in bringing higher education services to its citizens. From 1990 to 1997 the proportion of Oklahoma's population over age 25 with a bachelor's degree increased from 11.8% to 20.5%, nearly a 75% increase. For four consecutive years, greater emphasis has been placed on higher education funding while Oklahoma's college presidents stepped up their efforts to reduce administrative costs. The effort has begun to show results. Oklahoma State University was selected as offering the best value in higher education by any college in the country by *The Student Guide to America's 100 Best College Buys. U.S. News & World Report*'s annual evaluation moved the ranking of four Oklahoma colleges and universities upward, including, for the first time, a ranking of the University of Oklahoma in the top half of the nation's major universities on the basis of quality.

As a result of growth in collected revenues during fiscal 1998, there is a balance in the Constitutional Reserve, or "Rainy Day Fund" of $297.4 million, half of which may be appropriated under restricted conditions. The fiscal year ended June 30, 1998 marked the third consecutive year in which the State made a deposit to this Fund.

The State has embarked on a major highway construction and improvement effort. Starting in fiscal 1998 and continuing over the next four years, Oklahoma will spend up to $1 billion on state highway construction, depending on economic conditions. The State is using a combination of bond financing, "Rainy Day Fund" money and general fund appropriations to finance this expanded construction.

The State is also continuing the development of a modern telecommunications system, known as OneNet, that allows multi-directional video access for government agencies throughout the State. This project expands upon an existing system operated by the State's higher education institutions. While OneNet has many uses, perhaps the most exciting feature is the linking of several classrooms for a single course. OneNet will allow all schools, even those in rural areas, to offer a varied, rigorous curriculum.

Oklahoma recently mended several defects in its prison system. Facing a shortage of beds, the State had followed the dangerous practice of granting early release to convicts to manage its prison population and hold down prison expenditures. At the same time, the ratio of secure to non-secure beds was out of balance, with many dangerous felons serving their time in minimum-security facilities. Recent legislation approved the expansion of leased facilities and authorized additional bed space to relieve the strains on our prison system. Furthermore, the legislature is expected to resolve unsettled issues in the state's "Truth in Sentencing Act" in the upcoming legislative session, which is expected to provide a better and more predictable system of assuring the safety of our citizens.

The legislature also approved a $315 million statewide capital bond program, which included improvements and new facilities for a number of projects, some of which will be finalized during the 1999 legislative session. Additionally, state employees, particularly law enforcement officers, were given substantial increases in salary and benefits.

One problem that remains is the large unfunded liability of the Teachers' Retirement System (TRS). Due in large part to the collapse of the oil industry in the mid-1980s and the consequent decline in revenue growth, the unfunded liability was created when the legislature continued to provide additional benefits without adequately funding. A major education initiative made the situation worse by adding thousands of new teachers at a time when contributions to TRS failed to cover normal cost. As a result, the System now has an actuarially estimated unfunded liability of $4.8 billion.

During the 1998 legislative session, the state changed TRS contribution method from a percentage of natural gas production taxes to a percentage of general revenue. This may provide greater stability and predictability to state contributions to the system. However, legislative changes also reduced school employer contribution requirements which had placed economic strains on the educational system. The changes also included a 5% cost of living adjustment for retirees. The combined impact of these changes increased the amortization period for the TRS unfunded liability from 20 to 35 years. Only superior market returns kept the impact of these changes from being greater.

In 1995, the Governor appointed a team of state employees to study state government and make recommendations as to how the government could be run more efficiently and effectively. In December of 1995, the Governor's Commission on Government Performance issued its report, listing nearly 300 recommendations for action. In response, the Governor has issued executive orders for improving several systems, including central purchasing, employee benefits, human resources, and employee classification and compensation systems. In addition, the Governor has asked the legislature to make several changes in current law.

FOR THE FUTURE

The State continues to aggressively research and pursue solutions to improve the State's competitive economic performance. This issue is especially pressing in many rural areas of Oklahoma. Accordingly, the State is seeking to encourage new business development. Approaches under consideration include targeted tax reforms designed to spur entrepreneurship and business relocation, developing a leading educational system, reducing the cost of workers' compensation insurance, and enactment of a right-to-work law.

While the State strives to strengthen it's financial position, we remain committed to maintaining public safety and providing a "safety net" for the less fortunate. To be successful, such a program will require a fresh look at how the State provides services. Building upon the work of the Governor's Commission on Government Performance, the State will consider the sale of assets, privatization of functions and programs, elimination of unneeded or excessive services, and reforms in purchasing and personnel policies.

FINANCIAL INFORMATION

Internal Controls

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls which have been designed to ensure that assets are safeguarded and that financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

Budget and Fiscal Policy

The budget process begins when each agency that expends money through the State treasury, except the legislature, submits an annual budget request to the Office of State Finance (OSF). Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by OSF. The Governor then makes formal recommendations in his "Executive Budget" which is presented to the legislature on the first day of the legislative session. During the legislative session, agency needs are reviewed by legislative committees and appropriations made for state agency operations during the ensuing fiscal year. Prior to encumbering or spending moneys in the fiscal year, each agency submits a Budget Work Program to OSF. In this document the agency outlines, by object of expenditure, fund source, and program category, how they plan to spend the various resources available to them.

Oklahoma's Constitution restricts total appropriations to 95% of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues, based upon information provided by the Office of State Finance and the Oklahoma Tax Commission. The Board is comprised of six elected officials: the Governor, the State Auditor and Inspector, the State Treasurer, the Lieutenant Governor, the Attorney General, and the Superintendent of Public Instruction, as well as the President of the State Board of Agriculture.

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the “Rainy Day Fund” each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. Up to one-half of the July 1 balance each year may be appropriated upon emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house.

The State also has an oversight process for the issuance of debt. The Executive and Legislative Bond Oversight Commissions jointly review and approve all debt issued by the State, its agencies and public trusts, and perform an assessment of all capital leases.

General Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and Capital Projects Fund. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 1998, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support the public institutions of higher education.

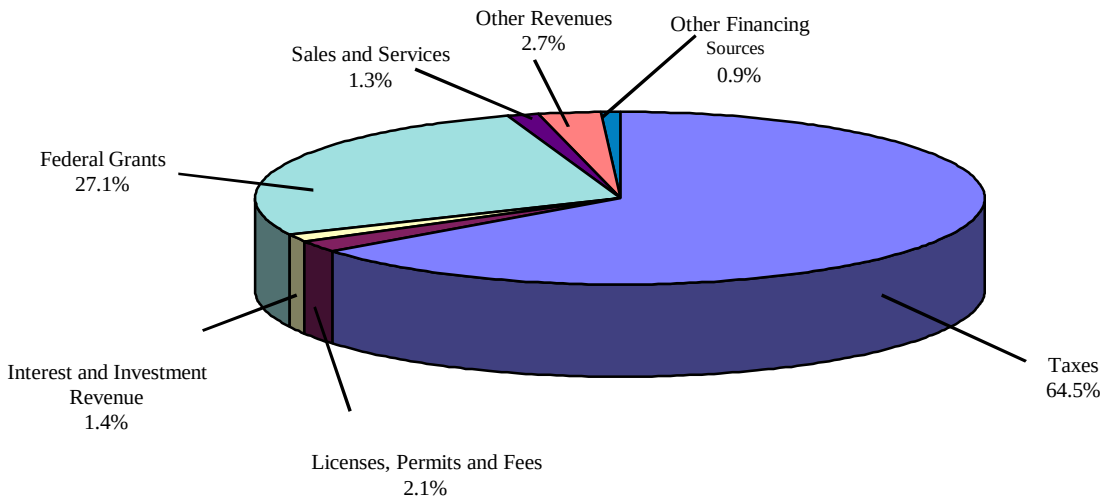
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	1998 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	$ 5,213	64.5%	$ 249	5.0%
Licenses, permits and fees	167	2.1%	0	0.0%
Interest and investment revenue	115	1.4%	3	2.7%
Federal grants	2,191	27.1%	(135)	(5.8%)
Sales and services	103	1.3%	1	1.0%
Other revenues	218	2.7%	27	(14.1%)
Other financing sources:				
Operating transfers	48	0.6%	(25)	(34.2%)
Bond proceeds	20	0.2%	17	(566.7%)
Other	8	0.1%	(1)	(11.1%)
Total revenues and other financing sources	$ 8,083	100.00%	$ 136	1.7%

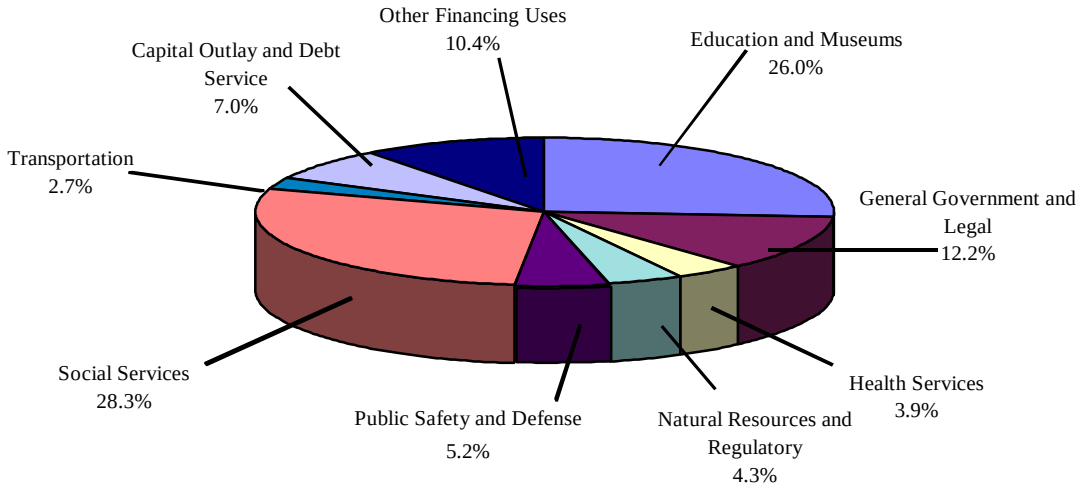
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	1998 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	$ 2,068	25.9%	$ 124	6.4%
General government	838	10.5%	15	1.8%
Health services	315	3.9%	11	3.6%
Legal and judiciary	134	1.7%	12	9.8%
Museums	8	0.1%	1	14.3%
Natural resources	203	2.5%	33	19.4%
Public safety and defense	412	5.2%	52	14.4%
Regulatory services	142	1.8%	8	6.0%
Social services	2,255	28.3%	(104)	(4.4%)
Transportation	216	2.7%	53	32.5%
Capital outlay	516	6.5%	4	0.8%
Debt service	40	0.5%	0	0.0%
Operating transfers	827	10.4%	16	2.0%
Total expenditures and other financing uses	$ 7,974	100.00%	$ 225	2.9%
Governmental Funds -				
Net increase in fund balance	$ 109			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) - Fiscal Year 1998



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) - Fiscal 1998



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 74% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which is not considered in the Board of Equalization's estimates of tax revenues. Oklahoma's budgetary GRF revenues were $4.01 billion, or 103.7% of the State's revenue estimate for the fiscal year ended June 30, 1998. This was an increase of $231.6 million, or 6.1% above that of the prior year.

Receipts from three of the four major taxes exceeded revenues of the prior year while gross production tax revenue on oil and gas decreased, producing a combined total of $3.42 billion, or 85% of total GRF receipts. The total of major taxes collected was $192.9 million, or 6.0% above that of the prior year, an indication of increased business activity.

As compared to fiscal 1997, collections from income taxes increased by $172.5 million, or 10.1%; sales taxes increased by $46.1 million, or 4.3%; motor vehicle taxes increased by $11.7 million, or 4.6%; and gross production taxes on oil and gas decreased by $37.4 million, or 19.9%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in seven years and dipped below the estimate six years, with actual collections averaging 100.8% of the estimate over the period. The comparison of estimated revenues to actual collections for fiscal 1998 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 1998
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Income tax	$ 1,712.7	$ 1,887.7	$ 175.0	110.2%
Sales tax	1,125.5	1,115.4	(10.1)	99.1%
Motor vehicle tax	272.8	269.2	(3.6)	98.7%
Gross production tax	201.0	150.3	(50.7)	74.8%
Subtotal Major Taxes	3,312.0	3,422.6	110.6	103.3%
Other sources	554.4	586.6	32.2	105.8%
Total	$ 3,866.4	$ 4,009.2	$ 142.8	103.7%

The thirteen-year comparative history of estimated to actual collections is shown in the following table.

Budgetary General Revenue Fund Comparisons
(expressed in millions)

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1986	$ 2,456.6	$ 2,271.3	$ (185.3)	92.5%
1987	$ 2,166.7	$ 2,070.0	$ (96.7)	95.5%
1988	$ 2,319.8	$ 2,397.8	$ 78.0	103.4%
1989	$ 2,499.8	$ 2,600.6	$ 100.8	104.0%
1990	$ 2,661.2	$ 2,735.1	$ 73.9	102.8%
1991	$ 3,034.4	$ 3,109.5	$ 75.1	102.5%
1992	$ 3,213.9	$ 3,161.2	$ (52.7)	98.4%
1993	$ 3,365.2	$ 3,258.9	$ (106.3)	96.8%
1994	$ 3,398.5	$ 3,341.5	$ (57.0)	98.3%
1995	$ 3,515.3	$ 3,512.6	$ (2.7)	99.9%
1996	$ 3,613.6	$ 3,705.0	$ 91.4	102.5%
1997	$ 3,531.0	$ 3,777.7	$ 246.7	107.0%
1998	$ 3,866.4	$ 4,009.3	$ 142.9	103.7%
Thirteen-Year Average	$ 3,049.4	$ 3,073.1	$ 23.7	100.8%

The status of two important fund balances affecting the new year's fiscal picture is explained below:

Cash-Flow Reserve Fund - At the close of fiscal 1998, the State set aside $399.8 million to meet anticipated monthly cash-flow needs for the new fiscal year. The new total amounted to 10.0% of the GRF certified appropriation level, an increase of 1/2 percentage point above the prior year.

The Cash-Flow Reserve Fund's fiscal 1998 cash carryover available to the next Legislature was $37.9 million, compared with $6.5 million in the prior year. The carryover funds come from the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow fund also come from this source.

Constitutional Reserve "Rainy Day Fund" - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified appropriation authority for the General Revenue Fund. On July 1, 1998, this fund had a balance of $297.4 million.

Proprietary Operations

The State's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods and/or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those persons directly benefiting from the goods or services. Some of the activities included in the State's proprietary operations are power generating plants, turnpikes, medical services, and insurance and financing services for both public and private entities.

Cash Management

State law requires full collateralization of all State Treasurer bank balances. Generally, the Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. However, component units of the State reporting entity may have collateralization policies that differ from those of the State Treasurer. The State Treasurer is required to keep at least 80% of available cash invested.

Debt Administration

The authority of the State to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the State created the Executive Bond Oversight Commission and the Legislative Bond Oversight Commission. The commissions meet jointly to review all proposed debt issuances. Both commissions must approve each financing plan before obligations are issued. The legislation which created the bond oversight commissions also created the position of State Bond Advisor, who advises the commissions, and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "AA3" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977. As of June 30, 1998, the outstanding general obligation net debt of the State of Oklahoma was $318 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts, and authorities issue revenue bonds on behalf of the State of Oklahoma, and these obligations are supported solely by the revenues of the issuing entities.

Risk Management and Insurance

In general, the State is "self-insured" for health care claims, workers' compensation, tort liability, vehicle liability, and property losses, with some exceptions for participation in health maintenance organizations and for excess coverage items. The property loss excess coverage is limited to a maximum loss of $1 billion. The Oklahoma State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. The State Insurance Fund provides workers' compensation coverage for both public and private sector employees in Oklahoma.

YEAR 2000 COMPUTER ISSUE

Management of the state is keenly aware of the exposure to governmental operations and the safety of Oklahoma’s citizens pertaining to the impact of the Year 2000 (Y2K) computer problem. In 1996, legislation was enacted which required state agencies to develop and implement plans to identify and correct those systems which were not compliant. Additionally, in 1998, the Governor created the Oklahoma Year 2000 Task Force to monitor compliance, gather information and provide recommendations to assure that governmental entities as well as private industry are adequately addressing the issue, developing appropriate contingency plans, and are prepared to enter the new millennium without significant interruption of essential services. Although more remains to be done to assure complete compliance, the state is addressing the issue and is confident that there will be no material disruption to governmental services.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

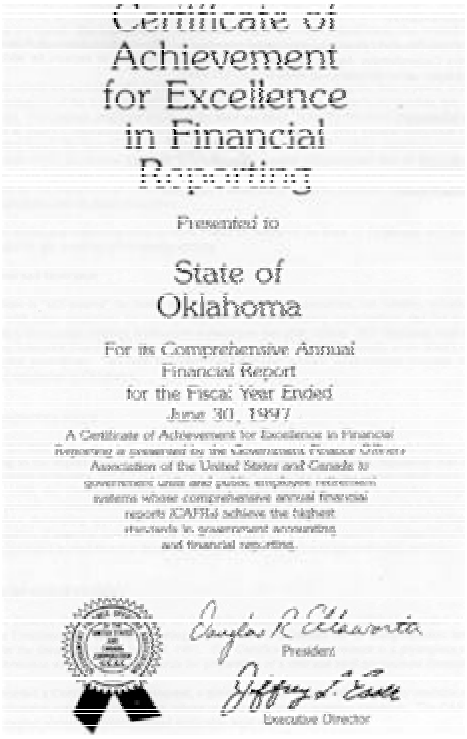
A Certificate of Achievement is valid for a period of one year only. The State of Oklahoma has received a Certificate of Achievement for the last two consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The Office of State Finance is pleased to recognize and commend the efforts of the numerous individuals across the State who made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at (405) 521-2141.

Respectfully submitted,

Tom Daxon	Keith L. Johnson
Director of State Finance	State Comptroller



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of
Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 1998

LEGISLATIVE BRANCH

Senate
Stratton Taylor
President Pro Tempore

House of Representatives
Loyd L. Benson
Speaker of the House

EXECUTIVE BRANCH

Governor
Frank Keating

Lieutenant Governor
Mary Fallin

* Secretary of State
Tom Cole

State Auditor and Inspector
Clifton Scott

Attorney General
Drew Edmondson

State Treasurer
Robert Butkin

Superintendent of Public Instruction
Sandy Garrett

Commissioner of Labor
Brenda Reneau

Commissioner of Insurance
John P. Crawford

Commissioners of the Corporation Commission
Bob Anthony
Ed Apple
Denise Bode

JUDICIAL BRANCH

* State Supreme Court
Yvonne Kauger
Chief Justice

* Court of Criminal Appeals
Charles S. Chapel
Presiding Judge

* Appointed Position

LEGISLATIVE

House of Representatives
Legislative Service Bureau
Senate

EXECUTIVE

Governor
Lieutenant Governor
Secretary of State

JUDICIAL

Court of Appeals
Court of Criminal Appeals
District Courts
Supreme Court
Workers' Compensation Court

STATE AGENCIES

ADMINISTRATION

Accountancy Board
Architects and Landscape Board
Banking Department
Board of Nursing
Capitol Improvement Authority
Chiropractic Examiners Board
Consumer Credit Commission
Cosmetology Board
Dental Board
Department of Central Services
Election Board
Embalmers and Funeral Directors Board
Engineers and Land Surveyors
Ethics Commission
Health Insurance High Risk Pool
Horse Racing Commission
Insurance Commission
Medical Licensure
Motor Vehicle Commission
Optometry Board
Osteopathic Examiners Board
Perfusionists Board
Pharmacy Board
Podiatry Board
Psychologist Board of Examiners
Real Estate Commission
Securities Commission
Social Workers Board
Speech Pathology and Audiology Board
Used Motor Vehicle Commission
Veterinary Medical Examiners Bd.

ENVIRONMENT

Department of Environmental Quality
Environmental Finance Authority
Water Resources Board
Geological Survey
Water Resources Board
Wildlife Conservation Commission

AGRICULTURE

Agriculture Department
Boll Weevil Eradication Organization
Conservation Commission
Foresters Board
Peanut Commission
Sheep and Wool Commission
Soybean Commission
Wheat Commission

ENERGY

Commission on Marginally Producing Oil and Gas Wells
Corporation Commission
Department of Mines
Energy Resources Board
Grand River Dam Authority
Interstate Oil and Gas Compact Commission
Liquefied Petroleum Gas Board
L P Research, Marketing and Safety Commission

HEALTH & HUMAN SERVICES

Children and Youth Commission
Employees Benefits Council
Handicapped Concerns
Health Care Authority
Health Department
Human Services Department
Indian Affairs Commission
Office of Juvenile Affairs
J.D. McCarty Center
Mental Health and Substance Abuse
Nursing Home Administrators Board
Physicians Manpower Training
Rehabilitation Services
University Hospitals Authority

TRANSPORTATION

Transportation Department
Turnpike Authority

COMMERCE

Capital Investment Board
Commerce Department
Development Finance Authority
Housing Finance Authority
Industrial Finance Authority
Labor Department
Municipal Power Authority

FINANCE & REVENUE

Auditor and Inspector
Building Bond Commission
Commissioners of the Land Office
Office of State Finance
State Insurance Fund
State Treasurer
Tax Commission
~~Pension Systems:~~
Firefighters' Retirement
Judges and Justices Retirement
Law Enforcement Retirement
Police Retirement
Public Employees' Retirement
Teachers' Retirement

HUMAN RESOURCES

Employment Security Commission
Human Rights Commission
Merit Protection Commission
Office of Personnel Management
State Group Health Insurance

TOURISM & RECREATION

Historical Society
J.M. Davis Memorial Commission
Tourism and Recreation Dept.
Will Rogers Memorial Commission

EDUCATION

Anatomical Board
Arts Council
Commission for Teacher Preparation
Center for the Advancement of Science and Technology
Department of Education
Educational Television Authority
Library Department
Medical Technology and Research Authority
Private Vocational Schools
Regents for Higher Education
School of Science and Mathematics
Student Loan Authority
Vocational and Technical Education

MILITARY

Military Department

SAFETY & SECURITY

Alcoholic Beverage Laws Enforcement Commission
Attorney General
Bureau of Narcotics and Dangerous Drugs
Civil Emergency Management
Corrections Department
Council on Law Enforcement Training
District Attorney's Council
Indigent Defense System
Medicolegal Investigations Board
Pardon and Parole Board
State Bureau of Investigation
Public Safety
State Fire Marshal

VETERANS' AFFAIRS

Department of Veterans Affairs

To view the divider page featuring the art of Poteet Victory and his biography, please click here.

Financial Section

Financial Section

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

We have audited the general-purpose financial statements of the State of Oklahoma as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These general-purpose financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit:

* the financial statements of the proprietary fund-primary government;
* the financial statements of the pension trust funds which reflect total assets constituting 89 percent of the fiduciary funds;
* the financial statements of the nonexpendable trust funds which reflect total assets constituting 6 percent of the fiduciary funds;
* the financial statements of the governmental component unit;
* 99 percent of the assets or 99 percent of the revenues of the proprietary component units;
* the financial statements of the higher education component unit.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues,* requires disclosure of certain matters regarding the year 2000 issue. The State of Oklahoma has included such disclosures in Note 25. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of Oklahoma’s disclosures with respect to the year 2000 issue made in Note 25. Further, we do not provide assurance that the State of Oklahoma is or will be year 2000 ready, that the State of Oklahoma’s year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Oklahoma does business with will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, based upon our audit and the reports of other auditors, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Oklahoma as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we issued a report on our consideration of the State of Oklahoma’s internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts, and grants. This report will be issued under separate cover in the State of Oklahoma's Single Audit Report.

As discussed in Note 18 to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported "the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately $4,806,200,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes and if any changes further reduce or delay the implementation of the funding schedule the funding period will increase." Note 2 to the System's financial statements discloses: "The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. . . ." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Oklahoma. Such information, except for the statistical schedules and the information in the introduction which are unaudited, has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Sincerely,

CLIFTON H. SCOTT
State Auditor and Inspector

December 29, 1998

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General Purpose Financial Statements

General Purpose Financial Statements

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Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Capital Projects	Enterprise - Oklahoma Water Resources Board	Trust and Agency
Assets and Other Debits				
Assets				
Cash/Cash Equivalents	$ 1,708,268	$ 15,152	$ 84,597	$ 1,348,916
Investments	31,287	0	41,707	13,119,977
Securities Lending Investments	0	0	0	1,373,153
Accounts Receivable	23,657	0	0	2,225
Interest and Investment Revenue Receivable	14,547	65	4,823	72,029
Employer Contributions Receivable	0	0	0	15,185
Employee Contributions Receivable	0	0	0	11,001
Other Contributions Receivable	0	0	0	724
Federal Grants Receivable	301,770	702	0	170
Taxes Receivable	125,599	0	0	1,856
Lease Payments Receivable	41,110	0	0	0
Other Receivables	51	0	0	4,432
Notes and Loans Receivable	0	0	265,232	0
Due from Brokers	0	0	0	64,630
Due from Other Funds	0	0	0	13,088
Due from Component Units	46,109	0	0	575
Due from Primary Government	0	0	0	0
Inventory	58,384	0	0	3,808
Prepaid Items	24,910	0	0	0
Fixed Assets, Net	0	0	0	1,015
Other Assets	2,610	0	872	8,205
Total Assets	2,378,302	15,919	397,231	16,040,989
Other Debits				
Amount Available for Debt Service	0	0	0	0
Amount to Be Provided For				
Retirement of Debt	0	0	0	0
Compensated Absences	0	0	0	0
Capital Leases	0	0	0	0
Certificates of Participation	0	0	0	0
Claims and Judgments	0	0	0	0
Pension Obligation	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	$ 2,378,302	$ 15,919	$ 397,231	$ 16,040,989

The Notes to the Financial Statements are an integral part of this statement.

Account Groups		Total Primary Government			Total Reporting Entity	
General Fixed Assets	General Long-Term Debt	(Memorandum Only) 1998	(Memorandum Only) 1997	Component Units	(Memorandum Only) 1998	(Memorandum Only) 1997
$ 0	$ 0	$ 3,156,933	$ 2,505,879	$ 525,887	$ 3,682,820	$ 3,041,084
0	0	13,192,971	11,507,748	1,872,707	15,065,678	13,401,390
0	0	1,373,153	1,109,418	185,240	1,558,393	1,357,406
0	0	25,882	26,262	174,299	200,181	225,006
0	0	91,464	94,694	25,850	117,314	118,298
0	0	15,185	13,215	0	15,185	13,215
0	0	11,001	14,917	0	11,001	14,917
0	0	724	1,091	0	724	1,091
0	0	302,642	283,553	1,955	304,597	285,976
0	0	127,455	126,147	0	127,455	126,147
0	0	41,110	40,940	38,258	79,368	80,629
0	0	4,483	4,367	20,871	25,354	4,585
0	0	265,232	223,307	740,306	1,005,538	914,885
0	0	64,630	12,873	0	64,630	12,873
0	0	13,088	13,377	83,271	96,359	90,489
0	0	46,684	44,297	2,364	49,048	51,230
0	0	0	0	11,659	11,659	8,447
0	0	62,192	116,442	48,141	110,333	176,518
0	0	24,910	47,122	11,477	36,387	57,597
967,067	0	968,082	916,475	3,325,888	4,293,970	4,160,998
0	0	11,687	13,091	311,243	322,930	338,029
967,067	0	19,799,508	17,115,215	7,379,416	27,178,924	24,480,810
0	27,042	27,042	24,751	0	27,042	24,751
0	412,407	412,407	408,131	0	412,407	408,131
0	102,464	102,464	99,650	0	102,464	99,650
0	8,594	8,594	6,809	0	8,594	6,809
0	8,316	8,316	11,466	0	8,316	11,466
0	0	0	1,309	151,321	151,321	144,666
0	2,193	2,193	2,385	0	2,193	2,385
0	561,016	561,016	554,501	151,321	712,337	697,858
$ 967,067	$ 561,016	$ 20,360,524	$ 17,669,716	$ 7,530,737	$ 27,891,261	$ 25,178,668

(continued)

Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

(continued)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Capital Projects	Enterprise - Oklahoma Water Resources Board	Trust and Agency
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable and Accrued Liabilities	$ 422,147	$ 969	$ 1,226	$ 3,933
Payable Under Securities Lending Agreements	0	0	0	1,373,153
Claims and Judgments	21,664	0	0	0
Interest Payable	5,168	0	2,803	0
Tax Refunds Payable	0	0	0	3,379
Due to Brokers	0	0	0	107,394
Due to Other Funds	13,087	0	0	0
Due to Component Units	11,715	0	0	0
Due to Primary Government	0	0	0	0
Due to Others	45,070	0	0	142,997
Deferred Revenue	145,185	0	0	5,629
Pension Obligation	0	0	0	0
Capital Leases	0	0	0	0
Compensated Absences	0	0	0	186
Benefits in the Process of Payment	0	0	0	77,034
Notes Payable	689	0	3,332	0
General Obligation Bonds	25	0	0	0
Revenue Bonds	180	0	220,999	0
Certificates of Participation	0	0	0	0
Other Liabilities	0	99	2,468	2,558
Total Liabilities	664,930	1,068	230,828	1,716,263
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings				
Reserved				
Debt Service	0	0	16,280	0
Unreserved	0	0	150,123	0
Net Unrealized Gain on Securities	0	0	0	0
Fund Balances				
Reserved				
Encumbrances	180,158	5,138	0	0
Inventory/Prepaid Items	67,862	0	0	0
Unemployment Benefits	0	0	0	613,131
Debt Service	27,042	0	0	0
Preservation of Wildlife	0	0	0	39,199
Employees Pension Benefits	0	0	0	12,661,936
External Investment Pool Participants	0	0	0	10,720
Permanent Trust	0	0	0	886,709
Undistributed Revenue	0	0	0	113,031
Other Special Purposes	850	0	0	0
Unreserved				
Designated for Cash Flow Reserve Fund	399,760	0	0	0
Designated for Rainy Day Fund	297,361	0	0	0
Designated for Other Special Purposes	0	0	0	0
Undesignated	740,339	9,713	0	0
Total Fund Equity and Other Credits	1,713,372	14,851	166,403	14,324,726
Total Liabilities, Fund Equity and Other Credits	$ 2,378,302	$ 15,919	$ 397,231	$ 16,040,989

The Notes to the Financial Statements are an integral part of this statement.

Account Groups		Total Primary Government			Total Reporting Entity	
General Fixed Assets	General Long-Term Debt	(Memorandum Only) 1998	1997	Component Units	(Memorandum Only) 1998	1997
$ 0	$ 0	$ 428,275	$ 401,350	$ 114,809	$ 543,084	$ 539,415
0	0	1,373,153	1,109,418	185,240	1,558,393	1,357,406
0	0	21,664	15,367	751,226	772,890	865,934
0	0	7,971	6,867	49,675	57,646	56,822
0	0	3,379	3,329	0	3,379	3,329
0	0	107,394	66,415	0	107,394	66,415
0	0	13,087	13,378	83,271	96,358	91,650
0	0	11,715	9,448	2,376	14,091	14,385
0	0	0	0	46,672	46,672	44,296
0	0	188,067	179,639	22,198	210,265	198,206
0	0	150,814	225,393	108,891	259,705	364,145
0	2,193	2,193	2,385	0	2,193	2,385
0	8,594	8,594	6,809	18,188	26,782	31,021
0	102,464	102,650	99,839	48,811	151,461	150,312
0	0	77,034	57,075	0	77,034	57,075
0	36,782	40,803	43,964	51,925	92,728	99,173
0	318,095	318,120	326,565	73,563	391,683	395,063
0	84,572	305,751	245,348	2,762,111	3,067,862	3,045,577
0	8,316	8,316	11,466	0	8,316	11,466
0	0	5,125	1,493	61,315	66,440	59,658
0	561,016	3,174,105	2,825,548	4,380,271	7,554,376	7,453,733
967,067	0	967,067	914,833	1,786,731	2,753,798	2,608,775
0	0	16,280	16,313	17,896	34,176	32,024
0	0	150,123	130,456	630,693	780,816	664,290
0	0	0	0	47,734	47,734	29,222
0	0	185,296	126,496	0	185,296	126,496
0	0	67,862	85,327	0	67,862	85,327
0	0	613,131	593,969	0	613,131	593,969
0	0	27,042	24,751	0	27,042	24,751
0	0	39,199	36,177	0	39,199	36,177
0	0	12,661,936	10,627,533	0	12,661,936	10,627,533
0	0	10,720	10,645	0	10,720	10,645
0	0	886,709	822,690	0	886,709	822,690
0	0	113,031	72,954	0	113,031	72,954
0	0	850	875	0	850	875
0	0	399,760	348,942	0	399,760	348,942
0	0	297,361	308,906	0	297,361	308,906
0	0	0	0	689,279	689,279	629,364
0	0	750,052	723,301	(21,867)	728,185	701,995
967,067	0	17,186,419	14,844,168	3,150,466	20,336,885	17,724,935
$ 967,067	$ 561,016	$ 20,360,524	$ 17,669,716	$ 7,530,737	$ 27,891,261	$ 25,178,668

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Governmental Component Unit
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Governmental Fund Types		Fiduciary Fund Type
	General	Capital Projects	Expendable Trust - Employment Security Commission
Revenues			
Taxes	$ 5,212,685	$ 0	$ 67,706
Licenses, Permits and Fees	167,432	0	0
Interest and Investment Revenue	114,662	1,103	41,114
Federal Grants	2,188,108	2,637	4,254
Sales and Services	103,006	0	0
Other	217,552	0	329
Total Revenues	8,003,445	3,740	113,403
Expenditures			
Current			
Education	2,068,407	0	0
General Government	837,779	0	0
Health Services	315,167	0	0
Legal and Judiciary	134,139	0	0
Museums	8,223	0	0
Natural Resources	203,394	0	0
Public Safety and Defense	411,921	0	0
Regulatory Services	142,301	0	0
Social Services	2,254,478	0	94,241
Transportation	216,103	0	0
Capital Outlay	508,074	7,859	0
Debt Service			
Principal Retirement	18,242	0	0
Interest and Fiscal Charges	21,390	0	0
Total Expenditures	7,139,618	7,859	94,241
Revenues in Excess of (Less Than) Expenditures	863,827	(4,119)	19,162
Other Financing Sources (Uses)			
Operating Transfers In	13,298	0	0
Operating Transfers from Component Units	32,754	2,112	0
Operating Transfers from Primary Government	0	0	0
Operating Transfers Out	(7,101)	0	0
Operating Transfers to Component Units	(801,856)	(17,493)	0
Bond Proceeds	19,960	0	0
Capital Leases and Certificates of Participation	3,503	0	0
Sale of General Fixed Assets	4,741	0	0
Total Other Financing Sources (Uses)	(734,701)	(15,381)	0
Revenue and Other Sources in Excess of (Less Than) Expenditures and Other Uses	129,126	(19,500)	19,162
Fund Balances - Beginning of Year (as restated)	1,584,247	34,351	593,969
Fund Balances - End of Year	$ 1,713,373	$ 14,851	$ 613,131

The Notes to the Financial Statements are an integral part of this statement.

Total Primary Government		Governmental Component Unit	Total Reporting Entity	
(Memorandum Only)		Special	(Memorandum Only)	
1998	1997	Indemnity Fund	1998	1997
$ 5,280,391	$ 5,071,691	$ 0	$ 5,280,391	$ 5,071,691
167,432	166,644	0	167,432	166,644
156,879	162,374	0	156,879	162,374
2,194,999	2,322,074	0	2,194,999	2,322,074
103,006	101,891	0	103,006	101,891
217,881	192,247	0	217,881	192,247
8,120,588	8,016,921	0	8,120,588	8,016,921
2,068,407	1,943,966	0	2,068,407	1,943,966
837,779	822,743	0	837,779	822,743
315,167	304,225	0	315,167	304,225
134,139	122,004	0	134,139	122,004
8,223	7,383	0	8,223	7,383
203,394	169,380	0	203,394	169,380
411,921	360,492	0	411,921	360,492
142,301	133,735	21,608	163,909	156,096
2,348,719	2,464,645	0	2,348,719	2,464,645
216,103	163,173	0	216,103	163,173
515,933	511,778	0	515,933	511,778
18,242	17,996	0	18,242	17,996
21,390	22,366	0	21,390	22,366
7,241,718	7,043,886	21,608	7,263,326	7,066,247
878,870	973,035	(21,608)	857,262	950,674
13,298	7,999	0	13,298	7,999
34,866	64,537	0	34,866	64,537
0	0	21,047	21,047	19,807
(7,101)	0	0	(7,101)	0
(819,349)	(811,326)	0	(819,349)	(811,326)
19,960	3,335	0	19,960	3,335
3,503	3,672	0	3,503	3,672
4,741	5,831	0	4,741	5,831
(750,082)	(725,952)	21,047	(729,035)	(706,145)
128,788	247,083	(561)	128,227	244,529
2,212,567	1,965,484	(21,306)	2,191,261	1,946,732
$ 2,341,355	$ 2,212,567	$ (21,867)	$ 2,319,488	$ 2,191,261

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Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)

	Budgetary General Fund		
	Final Budget	Actual	Variance
Revenues			
Taxes	$ 3,904,058	$ 4,034,238	$ 130,180
Licenses, Permits and Fees	61,755	40,584	(21,171)
Interest and Investment Revenue	92,038	109,254	17,216
Local Receipts and Reimbursements	31,251	27,073	(4,178)
Other	19,438	20,344	906
Total Revenues	4,108,540	4,231,493	122,953
Expenditures			
Education	132,328	121,634	(10,694)
General Government	113,519	108,110	(5,409)
Health Services	167,967	165,098	(2,869)
Legal and Judiciary	99,375	95,901	(3,474)
Museums	7,533	7,133	(400)
Natural Resources	64,084	62,893	(1,191)
Public Safety and Defense	382,146	376,950	(5,196)
Regulatory Services	24,115	23,395	(720)
Social Services	136,471	133,667	(2,804)
Total Expenditures	1,127,538	1,094,781	(32,757)
Revenues in Excess of Expenditures	2,981,002	3,136,712	155,710
Other Financing Sources (Uses)			
Operating Transfers In	52,900	76,465	23,565
Operating Transfers Out	(996,393)	(996,393)	0
Intra Agency Transfers to Continuing Funds	(2,327,742)	(2,327,742)	0
Total Other Financing Sources (Uses)	(3,271,235)	(3,247,670)	23,565
Revenue and Other Sources in Excess of Expenditures and Other Uses	(290,233)	(110,958)	179,275
Budgetary Fund Balance - Beginning of Year	861,926	861,926	0
Budgetary Fund Balance - End of Year	$ 571,693	$ 750,968	$ 179,275

The Notes to the Financial Statements are an integral part of this statement.

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances Proprietary Fund Type, Similar Trust Funds and Discretely Presented Proprietary Component Units

For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Proprietary Fund Type	Fiduciary Fund Type
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Operating Revenues		
Licenses, Permits and Fees	$ 0	$ 1,757
Sales and Services	0	74
Interest and Investment Revenue	17,623	153,413
Federal Grants	11,178	0
Rental Revenue	0	8,764
Sale of Investments	0	4,849
Other	299	1
Total Operating Revenues	29,100	168,858
Operating Expenses		
Operations and Maintenance of Facilities	0	0
Losses and Loss Expense	0	0
Administrative and General Expense	1,115	2,779
Interest Expense	10,878	0
Depreciation Expense	0	0
Benefit Payments and Refunds	0	39,826
Total Operating Expenses	11,993	42,605
Operating Income	17,107	126,253
Nonoperating Revenues (Expenses)		
Interest and Investment Revenue	0	0
Other Nonoperating Revenues	0	0
Interest Expense	0	0
Amortization of Losses and Discounts	0	0
Other Nonoperating Expenses	0	0
Total Nonoperating Revenues (Expenses)	0	0
Income Before Operating Transfers	17,107	126,253
Operating Transfers In	3,500	0
Operating Transfers from Primary Government	0	0
Operating Transfers Out	(973)	(4,964)
Operating Transfers to Component Units	0	(14,171)
Operating Transfers to Primary Government	0	0
Costs to be Recovered from Future Revenues	0	0
Net Income	19,634	107,118
Retained Earnings/Fund Balances - Beginning of Year (as restated)	146,769	931,821
Retained Earnings/Fund Balances - End of Year	$ 166,403	$ 1,038,939

The Notes to the Financial Statements are an integral part of this statement.

Total Primary Government (Memorandum Only) 1998	Total Primary Government (Memorandum Only) 1997	Component Units Proprietary	Total Reporting Entity (Memorandum Only) 1998	Total Reporting Entity (Memorandum Only) 1997
$ 1,757	$ 1,518	$ 0	$ 1,757	$ 1,518
74	74	905,438	905,512	980,983
171,036	136,351	58,220	229,256	191,972
11,178	10,108	0	11,178	10,108
8,764	9,661	0	8,764	9,661
4,849	18,150	0	4,849	18,150
300	86	13,583	13,883	13,657
197,958	175,948	977,241	1,175,199	1,226,049
0	0	319,824	319,824	300,585
0	0	128,931	128,931	181,803
3,894	3,357	65,801	69,695	115,130
10,878	7,934	53,938	64,816	62,063
0	0	78,898	78,898	80,044
39,826	36,146	275,057	314,883	334,186
54,598	47,437	922,449	977,047	1,073,811
143,360	128,511	54,792	198,152	152,238
0	0	142,833	142,833	140,426
0	0	21,520	21,520	1,388
0	0	(117,264)	(117,264)	(118,393)
0	0	(17,439)	(17,439)	(17,645)
0	0	(13,446)	(13,446)	(13,890)
0	0	16,204	16,204	(8,114)
143,360	128,511	70,996	214,356	144,124
3,500	0	0	3,500	0
0	0	57,421	57,421	58,163
(5,937)	(7,999)	(30,274)	(36,211)	(7,999)
(14,171)	(12,952)	0	(14,171)	(12,952)
0	0	0	0	(60,303)
0	0	901	901	6,630
126,752	107,560	99,044	225,796	127,663
1,078,590	971,030	549,545	1,628,135	1,500,472
$ 1,205,342	$ 1,078,590	$ 648,589	$ 1,853,931	$ 1,628,135

Combined Statement of Cash Flows
Proprietary Fund Type, Nonexpendable Trust Funds and Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Proprietary Fund Type	Fiduciary Fund Types
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Cash Flows from Operating Activities		
Operating Income	$ 17,107	$ 126,253
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	0	0
Amortization (Accretion) and Other Noncash Expenses	1,206	72
Other	0	0
Reclassification of Investment Income	0	(147,265)
Net Appreciation in Fair Value	0	(42,761)
Decrease (Increase) in Assets		
Accounts Receivable	11,496	0
Interest and Investment Revenue Receivable	(732)	0
Interfund Receivable	0	(20)
Inventory	0	0
Prepaid Items	0	0
Long-Term Notes Receivable	0	0
Other Current Assets	0	0
Other Noncurrent Assets	0	0
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	370	0
Claims and Judgments	0	0
Interest Payable	432	0
Deferred Revenue	0	7
Other Current Liabilities	0	0
Due to Primary Government	0	0
Other Noncurrent Liabilities	0	0
Net Cash Provided (Used) by Operating Activities	29,879	(63,714)
Cash Flows from Noncapital Financing Activities		
Proceeds from Bonds and Notes Payable	51,903	0
Contributed Capital from Non-State Sources	0	0
Operating Transfers In	3,500	0
Operating Transfers from Primary Government	0	0
Operating Transfers Out	0	(4,964)
Operating Transfers to Component Units	0	(14,171)
Operating Transfers to Primary Government	(973)	0
Principal Paid on Bonds and Notes Payable	(9,855)	0
Other Noncapital Financing Activity	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	$ 44,575	$ (19,135)

The Notes to the Financial Statements are an integral part of this statement.

Total Primary Government (Memorandum Only) 1998	Total Primary Government (Memorandum Only) 1997	Component Units Proprietary	Total Reporting Entity (Memorandum Only) 1998	Total Reporting Entity (Memorandum Only) 1997
$ 143,360	$ 128,511	$ 54,792	$ 198,152	$ 152,238
0	0	78,898	78,898	80,044
1,278	9,938	5,427	6,705	15,462
0	191	460	460	1,120
(147,265)	(78,142)	0	(147,265)	(78,142)
(42,761)	(55,800)	0	(42,761)	(55,800)
11,496	40	13,651	25,147	(4,353)
(732)	(304)	(1,037)	(1,769)	(1,802)
(20)	524	0	(20)	1,399
0	0	523	523	(5,114)
0	0	125	125	83
0	0	(44,028)	(44,028)	(18,838)
0	0	7	7	387
0	0	5,886	5,886	4,441
370	357	(9,812)	(9,442)	(317)
0	0	(108,497)	(108,497)	(27,754)
432	(95)	(387)	45	(41)
7	(54)	(14,874)	(14,867)	(16,682)
0	0	233	233	29
0	0	1,471	1,471	1,319
0	2	838	838	(411)
(33,835)	5,168	(16,324)	(50,159)	47,268
51,903	2,269	64,140	116,043	180,064
0	0	20,470	20,470	0
3,500	0	0	3,500	0
0	0	57,421	57,421	58,163
(4,964)	(7,999)	0	(4,964)	(7,999)
(14,171)	(12,952)	0	(14,171)	(12,952)
(973)	0	(30,274)	(31,247)	(60,303)
(9,855)	(11,560)	(70,359)	(80,214)	(164,429)
0	0	(57)	(57)	(759)
$ 25,440	$ (30,242)	$ 41,341	$ 66,781	$ (8,215)

(continued)

Combined Statement of Cash Flows
Proprietary Fund Type, Nonexpendable Trust Funds and Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

(continued)

	Proprietary Fund Type	Fiduciary Fund Types
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Cash Flows from Capital and Related Financing Activities		
Proceeds from Bonds and Notes Payable	$ 0	$ 0
Payments for Acquisitions of Fixed Assets	0	0
Principal Paid on Bonds, Notes, and Capital Leases	0	0
Interest Paid on Bonds, Notes, and Capital Leases	0	0
Increase in Payable Under Security Lending Agreement	0	0
Other Capital and Related Financing Activity	0	0
Net Cash (Used) by Capital and Related Financing Activities	0	0
Cash Flows from Investing Activities		
Interest and Investment Revenue	0	110,981
Fees Paid Under Security Lending Agreement	0	0
Increase in Security Lending Investment Pool	0	0
Proceeds from Sale and Maturity of Investments	(9,703)	482,049
Principal Received from Notes Receivable	42,011	306
Payments to Purchase Investments	0	(487,477)
Payments to Issue Notes Receivable	(83,936)	0
Net Cash Provided (Used) by Investing Activities	(51,628)	105,859
Net Increase (Decrease) in Cash/Cash Equivalents	22,826	23,010
Cash/Cash Equivalents - Beginning of Year	61,771	18,863
Cash/Cash Equivalents - Fiduciary Activities	0	0
Cash/Cash Equivalents - End of Year	$ 84,597	$ 41,873

Reconciliation of Cash/Cash Equivalents to Combined Balance Sheet

Cash/Cash Equivalents per Combining Balance Sheets:	
Expendable Trusts	$ 610,466
Nonexpendable Trusts	41,873
Pension Trusts	543,853
Investment funds	10,674
Agency Funds	142,050
Governmental Component Unit	
Proprietary Component Units	
Higher Education Component Unit	
Total	$ 1,348,916

The Notes to the Financial Statements are an integral part of this statement.

Total Primary Government (Memorandum Only) 1998	1997	Component Units Proprietary	Total Reporting Entity (Memorandum Only) 1998	1997
$ 0	$ 0	$ 634	$ 634	$ 10,664
0	0	(49,434)	(49,434)	(54,358)
0	0	(59,988)	(59,988)	(51,995)
0	0	(116,433)	(116,433)	(119,468)
0	0	(62,748)	(62,748)	36,803
0	0	297	297	184
0	0	(287,672)	(287,672)	(178,170)
110,981	69,144	98,169	209,150	170,622
0	0	(12,149)	(12,149)	(10,743)
0	0	62,748	62,748	(36,803)
472,346	273,552	1,681,208	2,153,554	1,875,515
42,317	29,065	7,082	49,399	34,278
(487,477)	(462,860)	(1,550,890)	(2,038,367)	(2,021,892)
(83,936)	(52,092)	(9,318)	(93,254)	(55,765)
54,231	(143,191)	276,850	331,081	(44,788)
45,836	(168,265)	14,195	60,031	(183,905)
80,634	248,899	153,705	234,339	418,244
0	0	109	109	105
$ 126,470	$ 80,634	$ 168,009	$ 294,479	$ 234,444

$	536
	168,009
	357,342
$	525,887

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Combined Statement of Changes In Plan Net Assets

For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Investment Trust	Pension Trusts	Total (Memorandum Only) 1998	Total (Memorandum Only) 1997
Additions				
Contributions				
Employer Contributions	$ 0	$ 308,992	$ 308,992	$ 295,020
Employee Contributions	0	221,634	221,634	230,871
Other Contributions	22,926	248,498	271,424	246,516
Total Contributions	22,926	779,124	802,050	772,407
Investment Income				
Net Appreciation in fair value of investments	0	1,747,782	1,747,782	1,393,082
Investment and Interest Revenue	596	396,391	396,987	376,019
	596	2,144,173	2,144,769	1,769,101
Less Investment Expense	0	64,800	64,800	59,033
Net Investment Income	596	2,079,373	2,079,969	1,710,068
Other Revenue	0	1,700	1,700	197
Total Additions	23,522	2,860,197	2,883,719	2,482,672
Deductions				
Administrative and General Expenses	0	9,237	9,237	6,738
Payments and Refunds	23,447	816,557	840,004	778,960
Total Deductions	23,447	825,794	849,241	785,698
Net Increase	75	2,034,403	2,034,478	1,696,974
Net Assets Held in Trust Beginning of Year (as restated)	10,645	10,627,533	10,638,178	8,941,204
End of Year	$ 10,720	$ 12,661,936	$ 12,672,656	$ 10,638,178

The Notes to the Financial Statements are an integral part of this statement.

Combined Statement of Changes in Fund Balances
Component Unit - Higher Education Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Current Funds	
	Unrestricted	Restricted
Revenues and Other Additions		
Unrestricted Current Fund Revenues	$ 771,943	$ 0
Endowment Income	0	1,735
Federal Grants and Contracts	0	247,821
State and Local Grants and Contracts	0	49,224
Private Gifts, Grants and Contracts	0	80,405
Auxiliary Enterprises	0	65
Investment and Interest Revenue	0	794
Retirement of Indebtedness	0	0
Expended for Plant Facilities	0	0
Other	0	5,512
Total Revenues and Other Additions	771,943	385,556
Expenditures and Other Deductions		
Education and General Expenditures	1,051,839	383,492
Auxiliary Enterprises	238,642	92
Professional Practice Plans and Clinics	106,920	0
Expended for Plant Facilities	0	0
Indirect Cost Recoveries	0	20,642
Cancellation of Student Loans	0	0
Administrative and Collection Costs	0	0
Interest on Indebtedness	0	0
Retirement of Equipment	0	0
Retirement of Indebtedness	0	0
Disposal of Plant Facilities	0	0
Depreciation and Amortization	0	0
Other	0	133
Total Expenditures and Other Deductions	1,397,401	404,359
Transfers Among Funds - Additions (Deductions)		
Mandatory Transfers		
Principal and Interest	(15,127)	(1)
Loan Fund Matching Grant	(603)	(7)
Other	1,980	(2,280)
Nonmandatory	(6,085)	(3,064)
Operating Transfers from Primary Government	666,549	33,262
Total Transfers Among Funds	646,714	27,910
Net Increase in Fund Balances	21,256	9,107
Fund Balances - Beginning of Year (as restated)	273,386	66,775
Fund Balances - End of Year	$ 294,642	$ 75,882

The Notes to the Financial Statements are an integral part of this statement.

Loan Funds	Endowment Funds	Plant Funds	Total (Memorandum Only) 1998	1997
$ 0	$ 0	$ 0	$ 771,943	$ 705,979
0	0	0	1,735	3,049
789	0	211	248,821	227,355
0	0	3,952	53,176	75,489
1	2,121	14,262	96,789	64,550
0	0	0	65	1,132
1,343	27,513	5,562	35,212	17,830
0	0	8,823	8,823	21,070
0	0	159,515	159,515	158,697
2,094	1,894	11,125	20,625	17,954
4,227	31,528	203,450	1,396,704	1,293,105
20	7,663	0	1,443,014	1,326,134
0	0	0	238,734	218,696
0	0	0	106,920	94,866
0	0	84,482	84,482	106,805
0	0	0	20,642	19,845
1,909	0	0	1,909	2,818
24	0	0	24	153
0	0	10,824	10,824	10,856
0	0	3,904	3,904	7,271
0	0	19,958	19,958	14,721
0	0	8,363	8,363	14,802
0	0	32,903	32,903	30,623
1,255	78	6,189	7,655	5,128
3,208	7,741	166,623	1,979,332	1,852,718
0	0	15,275	147	0
253	0	0	(357)	0
0	0	300	0	0
(32)	1,339	7,842	0	0
0	7,500	28,231	735,542	709,283
221	8,839	51,648	735,332	709,283
1,240	32,626	88,475	152,704	149,670
49,429	134,105	1,799,611	2,323,306	2,173,636
$ 50,669	$ 166,731	$ 1,888,086	$ 2,476,010	$ 2,323,306

Combined Statement of Current Funds, Revenues, Expenditures and Other Changes
Component Unit - Higher Education Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Current Funds		Total Current Funds	
	Unrestricted	Restricted	1998	1997
Revenues				
Tuition and Fees	$ 268,518	$ 0	$ 268,518	$ 244,054
Federal Appropriations	9,963	0	9,963	10,519
Federal Grants and Contracts	17,956	237,889	255,845	230,939
State and Local Grants and Contracts	4,772	42,347	47,119	46,758
Private Gifts, Grants and Contracts	34,670	62,707	97,377	81,637
Investment and Interest Revenue	3,277	348	3,625	2,963
Endowment Income	3,284	2,743	6,027	4,511
Sales and Services				
Educational Department	20,514	0	20,514	18,541
Auxiliary Enterprises	230,859	65	230,924	216,787
Professional Practice Plans and Clinics	116,582	0	116,582	108,063
Other Sources	61,548	6,056	67,604	61,255
Total Revenues	771,943	352,155	1,124,098	1,026,027
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	513,661	41,018	554,679	516,008
Research	52,048	97,698	149,746	135,224
Public Service	43,463	54,421	97,884	98,896
Academic Support	131,002	3,552	134,554	127,179
Student Services	53,714	37,600	91,314	77,690
Institutional Support	110,508	9,115	119,623	110,423
Operation/Maintenance of Plant	104,234	95	104,329	94,323
Scholarships and Fellowships	42,402	139,993	182,395	164,368
Other	0	0	0	97
Education and General Expenditures	1,051,032	383,492	1,434,524	1,324,208
Mandatory Transfers				
Principal and Interest	6,100	1	6,101	5,734
Loan Fund Matching Grant	237	7	244	167
Other	0	0	0	22
Total Education and General	1,057,369	383,500	1,440,869	1,330,131
Auxiliary Enterprises	238,642	92	238,734	218,696
Mandatory Transfers				
Principal and Interest	9,024	0	9,024	7,336
Loan Fund Matching Grant	366	0	366	7
Total Auxiliary Enterprises	$ 248,032	$ 92	$ 248,124	$ 226,039

The Notes to the Financial Statements are an integral part of this statement.

	Current Funds		Total Current Funds	
	Unrestricted	Restricted	1998	1997
Professional Practice Plans and Clinics	$ 106,920	$ 0	$ 106,920	$ 94,866
Mandatory Transfers	3	0	3	8
Total Professional Practice Plans and Clinics	106,923	0	106,923	94,874
Total Expenditures and Mandatory Transfers	1,412,324	383,592	1,795,916	1,651,044
Other Transfers and Additions (Deductions)				
Restricted Receipts in Excess of Transfers to Revenues	0	12,759	12,759	7,940
Refunded to Grantors	0	(133)	(133)	(216)
Nonmandatory	(6,085)	(3,065)	(9,150)	(2,859)
Operating Transfers from Primary Government	666,549	33,263	699,812	646,238
Other Transfers and Additions, Net	660,464	42,824	703,288	651,103
Net Increase in Fund Balances	$ 20,083	$ 11,387	$ 31,470	$ 26,086

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To view the divider page featuring the art of H.T. "Harold" Holden and his biography, please click here.

Notes to the Financial Statements

Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the "State") have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Higher Education Component Unit are based on the American Institute of Certified Public Accountants College Guide model.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1998, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles, these financial statements present the State of Oklahoma (the primary government) and its component units.

Blended Component Units

These component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, a part of the State. They are included in the fiduciary fund type.

The six Public Employee Retirement Systems (PERS) administer pension funds for the State and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. The Board of Trustees for each system is appointed pursuant to state statute. The six PERS were audited by independent auditors for the period ended June 30, 1998, and their reports, dated from August 21, 1998, to October 31, 1998, have been previously issued under separate covers.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units columns of the combined financial statements include the financial data of the following entities.

Governmental Component Unit

A separately issued independent audit report may be obtained from the Office of State Finance, 2300 North Lincoln, Suite 122, Oklahoma City, Oklahoma 73105, or the component unit's office at the address presented on the description page of the combining financial statement section of this report.

Special Indemnity Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management at will. The Fund was audited by other independent auditors for the period ended December 31, 1997, and their report, dated February 26, 1998, has been previously issued under separate cover.

Proprietary Component Units

Separately issued independent audit reports may be obtained from the Office of State Finance, 2300 North Lincoln, Suite 122, Oklahoma City, Oklahoma 73105, or the respective proprietary component units at the addresses presented on the description page of the combining financial statement section of this report.

Oklahoma Industrial Finance Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 1998, and their report, dated October 29, 1998, has been previously issued under separate cover.

Health Insurance High Risk Pool (HIHRP) provides health insurance to individuals who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on the Pool by its ability to modify the decisions of the Board. The Pool was audited by other independent auditors for the year ended June 30, 1998, and their report, dated October 16, 1998, has been previously issued under separate cover.

State Insurance Fund (SIF) provides a source for workers' compensation insurance for all public and private employers within the State and operates similarly to an insurance company. SIF is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of State Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Services, and appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove board members at will. The Fund was audited by other independent auditors for the year ended December 31, 1997, and their report, dated February 27, 1998, has been previously issued under separate cover.

State and Education Employees Group Insurance Board provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended June 30, 1998, and their report, dated October 27, 1998, has been previously issued under separate cover.

Oklahoma Student Loan Authority provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 1998, and their report, dated September 11, 1998, has been previously issued under separate cover.

University Hospitals Authority consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the state Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 1998, and their report, dated October 23, 1998, has been previously issued under separate cover.

Medical Technology and Research Authority is authorized to promote and assist the development of medical technology and research benefiting the citizens of Oklahoma. The Authority obtains funds through parking revenue, lease revenue, and other services. The Authority is directed by an eight-member board. The two ex officio members include the President of the University of Oklahoma and the Chief Executive Officer of The University Hospitals, or their designees. Of the remaining members, two are appointed by the Governor and one is appointed by each of the following; Speaker of the House of Representatives, President Pro Tempore of the Senate, President of the University of Oklahoma and the Director of the Department of Human Services. The State can impose its will on the Authority by its ability to modify or approve the Authority's fee changes. The Authority was audited by the State Auditor and Inspector for the year ended June 30, 1998, and their report, dated September 28, 1998, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the State. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board is comprised of seven members, of which five are appointed by the Governor, with the advice and consent of the Senate, plus the Director of the Department of Commerce and the State Treasurer. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 1998, and their report, dated September 3, 1998, has been previously issued under separate cover.

Oklahoma Environmental Finance Authority provides public and private entities financing for facilities necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes. The three Trustees of the Authority are appointed by the Governor. The State can impose its will on the Authority by its ability to remove trustees at will. The Authority was audited by other independent auditors for the year ended June 30, 1998, and their report, dated August 27, 1998, has been previously issued under separate cover.

Oklahoma Housing Finance Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of the State. In addition, the Agency administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the Governor. The State can impose its will on the Authority by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 1997, and their report, dated February 18, 1997, has been previously issued under separate cover.

Oklahoma Turnpike Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advise and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 1997, and their report, dated February 27, 1998, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The Board of Directors consists of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 1997, and their report, dated March 13, 1998, has been previously issued under separate cover.

Oklahoma Municipal Power Authority provides a means for the municipal electric systems in the State to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the State's Bond Oversight Commission. Exclusion of the component unit would cause the State's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 1997, and their report, dated February 6, 1998, has been previously issued under separate cover.

Higher Education Component Unit

Separately issued independent audit reports for each college, university, or other included entity may be obtained from the Office of State Finance, 2300 North Lincoln, Suite 122, Oklahoma City, Oklahoma 73105.

This component unit is primarily comprised of the twenty-five colleges and universities that are members of the Oklahoma State System of Higher Education (the "System"). Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on each institution by its ability to modify and approve their budget and its ability to approve fee changes. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities.

Board of Regents of Oklahoma Colleges has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget.

Oklahoma State Regents for Higher Education serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.

Ardmore Higher Education Program and **McCurtain County Higher Education Program** were established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Programs earn credit applicable toward academic degrees and certificates at participating institutions in the System. Each Program is administered by a Board of Trustees who are appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Programs by its ability to modify and approve their budget.

Rose State College Technical Area Education District, South Oklahoma City Area School District, and **Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.

The entities included in the Higher Education Component Unit were audited by independent auditors, for the year ended June 30, 1998, and reports dated from August 6, 1998, to October 23, 1998, have been previously issued under separate cover. Because these entities are similar in nature and function, they have been combined and presented as a single component unit.

Related Organizations and Related Parties

Organizations, for which a primary government is accountable because the State appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OOWA) is a related organization of the State. The State appoints a voting majority of the Trustees of OOWA but has no further accountability.

Oklahoma Education Television Authority Foundation, Inc. is a non-profit organization established to receive private donations and contributions that could be used for the benefit of the Oklahoma Education Television Authority (OETA), a part of the primary government. The Foundation does not meet the definition of a component unit but is considered a related party of OETA. During the fiscal year ended June 30, 1998, the foundation disbursed approximately $4,000,000 for the benefit of OETA.

The colleges and universities included in the Higher Education Component Unit have various foundations organized for the purpose of receiving and administering gifts intended for the benefit of their respective college or university. These foundations do not meet the definition of a component unit but are considered a related party of the college or university. During the fiscal year ended June 30, 1998, these foundations expended, on-behalf of the State's colleges and universities, approximately $54,874,000 for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships.

B. Fund Accounting

The financial activities of the State are recorded in individual Funds classified by type, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A Fund is a separate accounting entity with a self-balancing set of accounts. An Account Group is a financial reporting device designed to provide accountability for assets and liabilities that are not recorded in Funds because they do not directly affect net expendable available financial resources.

The financial activities of the State reported in the accompanying financial statements have been classified into the following fund types and account groups.

1. Governmental Fund Types

General Fund - This Fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with a reservation of fund balance for debt service.

Capital Projects Fund - This Fund accounts for financial resources used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds, similar trust funds, or higher education funds. These resources are derived from proceeds of the general obligation bond issues on March 9, 1993, and July 21, 1993.

2. Proprietary Fund Type

Enterprise Fund - This Fund accounts for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate. This Fund is comprised of Oklahoma Water Resources Board bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

3. Fiduciary Fund Types

The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other Funds.

Nonexpendable Trust Funds - These Funds require that the principal of the trusts be preserved intact. Only the earnings of the Funds are expendable. They account for trust transactions, assets, liabilities, and fund equity of the Commissioners of the Land Office and the Department of Wildlife.

Expendable Trust Fund - This Fund allows for the spending of both the principal and earnings of the Trust. The Fund accounts for assets received and expended by the Oklahoma Employment Security Commission, from the Federal Unemployment Insurance Trust Fund.

Investment Trust Fund – This Fund accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

Pension Trust Funds - These Funds account for the transactions, assets, liabilities, and fund equity of the seven State retirement systems (six PERS and the Wildlife Conservation Retirement Plan).

Agency Funds - These Funds account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals.

4. Account Groups

General Fixed Assets Account Group - This group of accounts is used to account for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary, similar trust funds, governmental component units, proprietary component units, or higher education fund types.

General Long-Term Debt Account Group - This group of accounts is used to account for unmatured general obligation bonds, revenue bonds, certificates of participation, lease revenue bonds, capital lease obligations, employee leave obligations, and other long-term obligations not recorded in proprietary, similar trust funds, governmental component units, proprietary component units, or higher education fund types.

5. Component Units

These Funds are legally separate from the State but are considered part of the State reporting entity.

Governmental Funds – These Funds meet the definition of a component unit as previously described.

Special Revenue Funds – These funds are used to account for transactions in which the source of revenue is specific (other than expandable trust), the funds require separate accounting because of the legal restriction, and the purpose of the expenditure is specific.

Proprietary Funds - These Funds meet the definition of both a component unit and that of an enterprise fund as previously described.

Higher Education Funds - These Funds account for transactions related to the resources received and used in the operation of the State's colleges and universities.

Current Funds - These Funds account for unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and restricted funds that may be utilized in accordance with externally restricted purposes.

Loan, Endowment, and Agency Funds - These Funds account for assets in which the colleges and universities act in a fiduciary capacity.

Plant Funds - These Funds account for institutional property acquisition, renewal, replacement, and debt service.

Financial Statement Reporting Periods

The accompanying financial statements of the State are presented as of June 30, 1998, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

Special Indemnity Fund	12-31-97
State Insurance Fund	12-31-97
Oklahoma Turnpike Authority	12-31-97
Grand River Dam Authority	12-31-97
Oklahoma Municipal Power Authority	12-31-97
Oklahoma Housing Finance Agency	9-30-97

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental funds, the expendable trust fund and the governmental component unit are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds, investment trust funds, pension trust funds and proprietary component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The primary government enterprise fund has elected to not apply FASBs issued after the applicable date. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

All capital project funds and proprietary component units account for arbitrage rebate payable as a liability of the fund. The increase in the obligation has been recorded in operations as a reduction of current year interest income.

All governmental funds, expendable trust and agency funds are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year when such revenues are susceptible to accrual; expenditures and liabilities are recognized when obligations are incurred as a result of receipt of goods and services. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with Generally Accepted Accounting Principles since they have been earned and are expected to be collected within sixty days of the end of the period. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 1998, has been reported in the general long-term debt account group (see Item M of this Note).

- Interest on general long-term obligations is recognized when paid.

- Executory purchase orders and contracts are recorded as a reservation of fund balance.

The accounts of the enterprise, nonexpendable trust, investment trust fund, pension trust funds and proprietary component units are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The Higher Education Component Unit is accounted for on the accrual basis of accounting, with the following exceptions:

- Seventeen of the State's colleges and universities report depreciation expense related to plant fund assets.

- Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the program is predominantly conducted.

The Higher Education Component Unit is an aggregate of financial statements from the 32 higher education entities described in Item A of this Note.

D. Budgeting and Budgetary Control

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, budget and actual amounts in the accompanying Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Budgetary Basis) are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 1998, to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with generally accepted accounting principles is set forth in Note 2.

The Governor prepares and submits to the Legislature at the beginning of each annual session a balanced budget based on budget requests prepared by the various state agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures can not exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the Governor's proposed budget as it deems necessary and

legally enacts an annual state budget through the passage of appropriation bills. The Governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of State Finance can approve transfers between line items up to 25%. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for management to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to 30 months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. For fiscal year 1998, $6,862,402 was approved by the Legislature for supplemental appropriation. All fiscal year 1998 appropriated line items were within their authorized spending level.

E. Cash and Cash Equivalents

The State uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each Fund has an equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each Fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the Capital projects fund, proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by Federal law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash.

F. Investments

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The State Insurance Fund, Grand River Dam Authority, and Oklahoma Municipal Power Authority with December 31, 1997 year ends, and Oklahoma Housing Finance Agency with a September 30, 1997 year end, have not implemented GASB 31. Their investments are recorded in accordance with their election under GASB 20 (see Item C). For these proprietary component units, investments are recorded at cost, adjusted for premiums and discounts, which approximates market.

G. Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, that are collected within sixty days after year end. Lease payments receivable in the General Fund consists of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectibility of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in fiduciary funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

H. Inter/Intrafund Transactions

Interfund Transactions - The State has three types of interfund transactions.

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the Funds involved.

- Operating appropriations/subsidies are accounted for as operating transfers in the Funds involved.

- Equity and working capital contributions are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund equity).

Intrafund Transactions - Intrafund transfers, as a result of contracts among departments and/or agencies within the same Fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Budgetary Basis) includes these transactions. However, recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis Combined Statement of Revenues, Expenditures, and Changes in Fund Balances.

A portion of motor fuel excise taxes collected on fuels consumed on the State's turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are to be transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

I. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominately on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The general fund inventories on hand at year-end are reflected as a reservation of fund balance on the balance sheet, except for $15,432,000 in food stamps which is recorded as inventory and deferred revenue. Upon distribution, the food stamps are recognized as revenues and expenditures of the general fund.

The value of the inventory of food commodities in the agency fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the general fund is valued at coupon value.

Higher education inventories are stated at the lower of cost or market, cost being determined on either the first-in first-out or average cost basis.

J. Fixed Assets

General Fixed Assets - Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds and the related assets are reported in the General Fixed Assets Account Group (GFAAG). Purchased and constructed general fixed assets are valued in the GFAAG at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation. The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend as asset's useful life are not capitalized. Significant general fixed assets which have a cost in excess of $25,000 at the date of acquisition and have an expected useful life of five or more years are capitalized.

Interest incurred during construction of capital facilities is not capitalized. General fixed assets are not depreciated.

Infrastructure is normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not reported in the General Fixed Assets Account Group.

Proprietary and Similar Trust Fund Fixed Assets - Purchased and constructed fixed assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation. Fixed assets, excluding land, are depreciated on the straight-line method over the assets' estimated useful life. Generally, estimated useful lives are as follows:

Buildings and Other Improvements	7 - 45 years
Machinery and Equipment	3 - 20 years

Higher Education Fixed Assets - Purchased and constructed fixed assets are stated principally at cost or fair market value at the date of donation in the case of gifts. Depreciation is provided for the cost of plant assets of certain colleges and universities which elect the option of reporting depreciation expense in Plant Funds. Depreciation, which is charged to expenditures, is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and Other Improvements	40 - 60 years
Machinery and Equipment	5 - 10 years

K. Other Assets

Included in other assets (noncurrent for proprietary component units) are costs to be recovered from future revenues. Certain items included in the operating costs of **Grand River Dam Authority**, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded fixed assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The **Oklahoma Municipal Power Authority** (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are deferred to future periods in which these amounts will be recovered through revenues.

L. Deferred Revenue

Deferred revenues arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized.

Also included in deferred revenue is the undistributed food stamp inventory.

M. Compensated Absences

Employees entering State service prior to July 1, 1996, earn annual vacation leave at the rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.66 hours per month for over 20 years of service. Employees entering State service on or after July 1, 1996, earn annual vacation leave at the rate of 6.66 hours per month for the first 5 years of service, 10 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.66 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. The General Fund records expenditures when employees are paid for leave, and the cost of accumulated vacation leave is recorded in the General Long-Term Debt Account Group.

N. Risk Management

The Risk Management Division of the Department of Central Services is responsible for the acquisition and administration of all insurance purchased by the State, or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

O. Federal Grants

In addition to monetary transactions, Federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the Agency Fund.

P. Fund Balance Reserves and Designations

The State's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying combined balance sheet, reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The State's fund balance designation reflects tentative plans for future use of financial resources.

Q. Deficit Fund Balance - Special Indemnity Fund

The Special Indemnity Fund, a governmental component unit, has a deficit fund balance of $21,867,000 at December 31, 1997. Management is not aware of any pending legislation to reduce this deficit.

R. Total (Memorandum Only)

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of these data.

S. Comparative Data/Restatements

Comparative total (Memorandum Only) data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the State's financial position and operations. Certain amounts presented have been reclassified and/or restated to be consistent with the current year presentation.

Note 2. Budgetary Reporting

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts so transferred may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Budgetary Basis), but are reported as a separate item under Other Financing Uses. Presented below are transfers to continuing funds by function of government within the General Fund and a reconciliation to the Schedule of Expenditures and Intra-Agency Transfers as presented in the Required Supplementary Information (expressed in thousands):

Education	$	1,323,412
General Government		18,959
Health Services		13,434
Legal and Judiciary		1,342
Natural Resources		1,530
Regulatory Services		85
Social Services		679,952
Transportation		289,028
Total Transfers to Continuing Funds		2,327,742
Total Expenditures per Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Budgetary Basis)		1,094,781
Total per Schedule of Expenditures and Intra-Agency Transfers as Presented in the Required Supplementary Information	$	3,422,523

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 1998, is presented below (expressed in thousands) for the General Fund.

Budgetary Basis Fund Balance, June 30, 1997	$	861,926
Deficiency of total sources over total uses of financial resources (Budgetary Basis)		(110,958)
Budgetary Basis Fund Balance, June 30, 1998		750,968
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		939,044
Encumbrances		52,153
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		407,659
Less: Net accrued expenditures and related liabilities		(436,451)
GAAP Basis Fund Balance, June 30, 1998	$	1,713,373

Note 3. Deposits and Investments

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the amount of collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. This percentage may vary for political subdivisions according to their respective policies.

In accordance with State statute, the State Treasurer may purchase and invest in the following:

- Obligations of the United States Government, its agencies and instrumentalities
- Prime banker's acceptances
- Investment grade obligations of state and local governments
- Money market funds
- Collateralized or insured certificates of deposit
- Negotiable certificates of deposit
- Prime commercial paper
- Repurchase agreements

Deposits

As of June 30, 1998, the State and its discretely presented component units' bank balances of deposits are fully insured or collateralized with securities held by an agent of the State or its discretely presented component units in their respective names. In addition to these deposits, the State has approximately $613,000,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers which are held by the U.S. Treasury.

Investments

The State's investments are categorized below per Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, to give an indication of the level of custodial risk assumed at year end. Category 1 includes investments that are insured, registered, or are held by the State or its agent in the name of the State. Category 2 includes uninsured and unregistered investments, which are held by the counterparties' trust departments or agents in the name of the State. Category 3 includes uninsured and unregistered investments, held by counterparties, or their trust departments or agents, but not in the name of the State.

Investments at June 30, 1998, by investment type, are listed below (expressed in thousands).

~~Primary Government~~	Carrying Amount Risk Categories				Fair
	1	2	3	Total	Value
U.S. Government Securities	$ 2,572,651	$ -	$ -	$ 2,572,651	$ 2,572,651
Repurchase Agreements	1,277,722	-	4,680	1,282,402	1,282,402
State Bond Issues	18,642	-	-	18,642	18,642
Debt Securities	1,871,850	-	-	1,871,850	1,871,850
Equity Securities	6,321,840	-	-	6,321,840	6,321,840
Investments Held Under Securities Loans for Non-Cash Collateral:					
U.S. Government Securities	146,844	-	360,467	507,311	507,311
Debt Securities	-	-	10,696	10,696	10,696
Equity Securities	-	-	42,017	42,017	42,017
	$ 12,209,549	$ -	$ 417,860	$ 12,627,409	$ 12,627,409
Investments Not Subject to Categorization:					
Guaranteed Investment Contracts				34,629	34,629
Real Estate				27,513	27,513
Mutual Funds				1,350,746	1,350,746
Money Market Mutual Funds				2,813	2,813
Limited Partnerships and Other Investments				16,580	16,580
Investments Held Under Securities Loans for Cash Collateral:					
U.S. Government Securities				465,032	465,032
Debt Securities				85,165	85,165
Equity Securities				778,675	778,675
Securities Lending Collateral-Short Term Investment Pools				1,373,153	1,373,153
Less: Component Units' Investment in State Treasurer's Cash Management Program*				(174,222)	(174,222)
Total Investments				$ 16,587,493	$ 16,587,493

* Includes presentation and timing differences of $20,632 attributable to proprietary component units.

The State's Investment Trust Fund has investments of repurchase agreements. These investments are included in the primary government's schedule of investments above. All repurchase agreements held by the Investment Trust Fund are included in risk category 1.

~~Component Units-Proprietary~~	Carrying Amount Risk Categories				Fair
	1	2	3	Total	Value
U.S. Government Securities	$ 344,520	$ 179,767	$ 9,229	$ 533,516	$ 532,909
Repurchase Agreements	4,634	-	-	4,634	4,634
Other Pooled Investments	7,622	-	-	7,622	7,622
State Bond Issues	9,999	-	-	9,999	9,999
Debt Securities	227,869	-	3,214	231,083	231,083
Equity Securities	209,370	-	-	209,370	209,370
	$ 804,014	$ 179,767	$ 12,443	$ 996,224	$ 995,617
Investments Not Subject to Categorization:					
Guaranteed Investment Contracts				193,283	193,283
Negotiable Certificates of Deposit				1,170	1,170
Real Estate				2,146	2,146
Mutual Funds				24,326	24,326
Money Market Mutual Funds				10,198	10,198
Other Pooled Funds				22,905	22,905
Investment in State Treasurer's Cash Management Program				10,674	10,674
Investments Held Under Securities Loans for Cash Collateral:					
U.S. Government Securities				175,538	175,538
Debt Securities				7,289	7,289
Securities Lending Collateral-Short Term Investment Pools				185,240	185,240
Total Investments				$ 1,628,993	$ 1,628,386

~~Component Unit-Higher Education~~	Carrying Amount Risk Categories				Fair
	1	2	3	Total	Value
U.S. Government Securities	$ 91,740	$ 9,268	$ -	$ 101,008	$ 101,008
State Bond Issues	5,850	-	-	5,850	5,850
	$ 97,590	$ 9,268	$ -	$ 106,858	$ 106,858
Investments Not Subject to Categorization:					
Real Estate				347	347
Mutual Funds				168,171	168,171
Money Market Mutual Funds				151	151
Other Pooled Funds				48,989	48,989
Investment in State Treasurer's Cash Management Program				142,916	142,916
Total Investments				$ 467,432	$ 467,432

The governmental component unit, Special Indemnity Fund, did not hold any investments at June 30, 1998.

The following table reconciles the details included within this footnote to the Combined Balance Sheet at June 30, 1998 (expressed in thousands).

		Component Units	
	Primary Government	Proprietary	Higher Education
Investments per Combined Balance Sheet:			
Investments	$ 13,192,971	$ 1,476,800	$ 395,907
Securities Lending Investments	1,373,153	185,240	-
Total Investments	14,566,124	1,662,040	395,907
Non-negotiable CDs classified as investments	(953)	(33,236)	(71,391)
Pooled cash investments classified as cash equivalents	2,022,322	-	-
Short term investments classified as cash equivalents	-	189	-
Investment in State Treasurer Cash Management Program classified as cash equivalent	-	-	142,916
Total Investments	$ 16,587,493	$ 1,628,993	$ 467,432

Securities Lending Transactions – Primary Government

State statute authorizes the State Treasurer's Office to participate in securities lending transactions. The six Public Employees Retirement Systems (PERS) also participate in securities lending transactions as provided by their respective investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities which may be lent.

During the fiscal year ended June 30, 1998, securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash, U.S. Government securities and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. However, in certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 1998, the carrying amount and fair value of securities on loan was approximately $1,888,896,000. The underlying collateral for these securities had a market value of approximately $1,958,220,000. Collateral of securities and letters of credit represented approximately $585,067,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 1998, there was no credit risk exposure to borrowers. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans.

Securities Lending Transactions – Proprietary Component Units

The State Insurance Fund (SIF) and the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) participate in securities lending transactions as provided by their respective investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent. The changes for the year in the securities lending asset and liability are presented at net in the Combined and Combining Statement of Cash Flows since the maturity dates are less than three months.

During their respective fiscal year ends securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Collateral must be provided in the amount of 100% (OSEEGIB) or 102% (SIF) of the fair value of the securities loaned. At their respective year ends, the carrying amount and market value of securities on loan was approximately $182,827,000. The underlying collateral for these securities had a market value of approximately $185,240,000. At their respective fiscal year end, no securities on loan were collateralized by securities. Because all collateral represents cash collateral that is invested in short-term investment pools, it is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At their respective fiscal year ends, there was no credit risk exposure to borrowers. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with the cash collateral.

External Investment Pool – Primary Government

The State sponsors an investment pool which includes internal and external pool participants. The portion of the pool attributable to external pool participants is included in the primary government as an Investment Trust Fund. The pool is not registered with the SEC and is reviewed by an Executive Review Committee of the State's Cash Management and Investment Oversight Commission. Assets of the pool are invested pursuant to an overnight repurchase agreement and are collateralized by U.S. Government obligations held by an independent third party custodian. Fair value of the investments is determined on a daily basis. Par value of participants' investments is based on the amount invested and accrued interest. Due to the daily nature of the pool, the value of the participants' investments is guaranteed by the third party custodian. The pool does not include any involuntary participants.

Note 4. Accounts Receivable

Receivables as of June 30, 1998, including the applicable allowances for uncollectible accounts, are as follows (expressed in thousands).

					Component Units		
Receivables:	General	Capital Projects	Enterprise	Trust and Agency	Proprietary	Higher Education	Total
Accounts	$ 40,456	$ -	$ -	$ 2,225	$ 67,678	$ 159,154	$ 269,513
Interest	14,547	65	4,823	72,029	21,343	4,507	117,314
Contributions	-	-	-	26,910	-	-	26,910
Federal	301,770	702	-	170	-	1,955	304,597
Taxes	125,599	-	-	1,856	-	-	127,455
Lease Payments	41,110	-	-	-	38,258	-	79,368
Other	51	-	-	4,432	20,871	-	25,354
Notes and Loans	-	-	265,232	-	699,685	55,576	1,020,493
Gross Receivables	523,533	767	270,055	107,622	847,835	221,192	1,971,004
Less Uncollectibles:							
Accounts Receivable	16,799	-	-	-	6,999	45,534	69,332
Notes, Loans, and Other	-	-	-	-	2,743	12,212	14,955
Net Total Receivables	$ 506,734	$ 767	$ 270,055	$ 107,622	$ 838,093	$ 163,446	$ 1,886,717

Note 5. Interfund Accounts/Operating Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 1998, is shown below (expressed in thousands).

	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
Primary Government				
General Fund	$ -	$ 46,109	$ 13,087	$ 11,715
Nonexpendable Trust:				
Department of Wildlife	66	-	-	-
Pension Trusts:				
Firefighters Pension and Retirement System	877	-	-	-
Oklahoma Law Enforcement Retirement System	1,593	-	-	-
Oklahoma Public Employees Retirement System	115	267	-	-
Oklahoma Police Pension and Retirement System	361	-	-	-
Teachers' Retirement System of Oklahoma	9,538	109	-	-
Wildlife Conservation Retirement Plan	27	-	-	-
Agency Funds:				
Other	511	199	-	-
Total Primary Government	$ 13,088	$ 46,684	$ 13,087	$ 11,715

	Due From			Due To		
	Primary Government	Other Funds	Other Component Units	Primary Government	Other Funds	Other Component Units
Component Units						
Governmental Fund:						
Special Indemnity Fund	$ 1,753	$ -	$ -	$ -	$ -	$ 72
Proprietary Funds:						
State Insurance Fund	959	-	140	45	-	132
State & Education Emp. Group Insurance Board	3,699	-	-	31	-	53
Student Loan Authority	-	-	-	-	-	27
University Hospitals Authority	-	-	1,338	74	-	3
Medical Technology and Research Authority	2	-	123	11	-	33
Oklahoma Development Finance Authority	52	-	15	-	-	-
Oklahoma Housing Finance Agency	-	-	-	7	-	-
Oklahoma Turnpike Authority	27	-	-	45,795	-	44
Grand River Dam Authority	28	-	514	443	-	67
Oklahoma Municipal Power Authority	-	-	-	20	-	514
Higher Education Funds:						
Current, Unrestricted	5,139	57,743	234	246	30,922	1,431
Current, Restricted	-	6,133	-	-	23,829	-
Loan	-	3,172	-	-	41	-
Endowment	-	610	-	-	22,088	-
Plant	-	121	-	-	6,188	-
Agency	-	15,492	-	-	203	-
Total Component Units	$ 11,659	$ 83,271	$ 2,364	$ 46,672	$ 83,271	$ 2,376

The amount of total interfund receivables of $157,066,000 does not agree with total interfund payables of $157,121,000 at June 30, 1998. This is due to timing differences between agencies with a June 30 year end and the Special Indemnity Fund, State Insurance Fund, and Grand River Dam Authority, all which have December 31 year ends.

B. Operating Transfers

A summary of interfund operating transfers for the fiscal year ended June 30, 1998, follows (expressed in thousands).

	Operating Transfers			
Primary Government	In	From Component Units	Out	To Component Units
General Fund	$ 13,298	$ 32,754	$ 7,101	$ 801,856
Capital Projects	-	2,112	-	17,493
Proprietary Funds:				
Oklahoma Water Resources Board	3,500	-	973	-
Nonexpendable Trust:				
Commissioners of the Land Office	-	-	2,892	14,171
Department of Wildlife	-	-	2,072	
Total Primary Government	$ 16,798	$ 34,866	$ 13,038	$ 833,520

	Operating Transfers			
Component Units	In	From Primary Government	Out	To Primary Government
Governmental Fund:				
Special Indeminty Fund	$ -	$ 21,046	$ -	$ -
Proprietary Funds:				
University Hospitals Authority		27,147	-	-
Oklahoma Turnpike Authority		30,274	-	30,274
Higher Education Funds:				
Current, Unrestricted	-	666,549	-	-
Current, Restricted	-	33,262	-	-
Endowment	-	7,500	-	-
Plant	-	28,231	-	-
Total Component Units	$ -	$ 814,009	$ -	$ 30,274

The amount of total Operating Transfers In of $865,673,000 does not agree with total Operating Transfers Out of $876,832,000 for the fiscal year ended June 30, 1998. The following presents a reconciliation of operating transfers reported in the financial statements (expressed in thousands).

Operating Transfers In	$ 16,798
Operating Transfers In - From Component Units	34,866
Operating Transfers In - From Primary Government	814,009
Total Operating Transfers In Per Financial Statements	865,673
Financial Statement Account Presentation Differences:	
Governmental Component Unit	3,613
Higher Education Component Units	11,955
Proprietary Component Units	21
Timing Differences, Fiscal Year Ending December 31, 1997:	
Proprietary Component Units	1,207
Total Operating Transfers In	$ 882,469
Operating Transfers Out	$ 13,038
Operating Transfers Out - To Component Units	833,520
Operating Transfers Out - To Primary Government	30,274
Total Operating Transfers Out Per Financial Statements	876,832
Financial Statement Account Presentation Differences:	
Higher Education Component Units	2,123
Proprietary Component Units	287
Timing Differences, Fiscal Year Ending December 31, 1997:	
Governmental Component Unit	2,020
Proprietary Component Units	1,207
Total Operating Transfers Out	$ 882,469

Note 6. Fixed Assets

Fixed Assets by category, as of June 30, 1998 (December 31, 1997, or September 30, 1997, for those entities/funds identified in Item B of Note 1) are summarized below (expressed in thousands).

	Primary Government		Component Units		
	Pension Trusts	General Fixed Assets	Proprietary	Higher Education	Total
Land	$ -	$ 57,495	$ 1,042,110	$ 106,544	$ 1,206,149
Buildings and Other Improvements	-	611,216	1,281,541	1,339,346	3,232,103
Machinery and Equipment	2,731	233,570	179,720	730,030	1,146,051
Construction in Progress	-	64,786	16,987	178,179	259,952
Total	2,731	967,067	2,520,358	2,354,099	5,844,255
Less: Accumulated Depreciation	1,716	-	1,173,600	374,969	1,550,285
Total	$ 1,015	$ 967,067	$ 1,346,758	$ 1,979,130	$ 4,293,970

Changes in general fixed assets for the year ended June 30, 1998, were as follows (expressed in thousands).

	Balance July 1, 1997	Additions	Deletions/ Net Transfers	Balance June 30, 1998
Land	$ 56,612	$ 883	$ -	$ 57,495
Buildings and Other Improvements	590,338	15,198	(5,680)	611,216
Machinery and Equipment	221,571	19,863	7,864	233,570
Construction in Progress	50,707	24,705	10,626	64,786
Total	$ 919,228	$ 60,649	$ 12,810	$ 967,067

Schedule of General Fixed Assets by Function for fiscal year ended June 30, 1998 (expressed in thousands).

	Land	Buildings and Other Improvements	Machinery and Equipment	Construction in Progress	Total
Function					
Education	$ 3,807	$ 10,115	$ 24,878	$ 2,941	$ 41,741
General Government	1,819	102,609	53,792	11,655	169,875
Health Services	592	70,910	12,355	-	83,857
Legal and Judiciary	-	-	4,140	-	4,140
Museums	1,460	5,855	310	1,360	8,985
Natural Resources	40,014	42,413	20,041	4,236	106,704
Public Safety and Defense	7,527	261,131	28,882	11,939	309,479
Regulatory Services	-	41	2,996	-	3,037
Social Services	745	101,972	15,866	32,562	151,145
Transportation	1,531	16,170	70,310	93	88,104
Total	$ 57,495	$ 611,216	$ 233,570	$ 64,786	$ 967,067

Schedule of changes in General Fixed Assets by Function for fiscal year ended June 30, 1998 (expressed in thousands).

	Balance July 1, 1997	Additions	Deletions/ Net Transfers	Balance June 30, 1998
Function				
Education	$ 40,345	$ 3,569	$ 2,173	$ 41,741
General Government	156,503	15,426	2,054	169,875
Health Services	84,386	1,473	2,002	83,857
Legal and Judiciary	2,981	1,275	116	4,140
Museums	8,026	959	-	8,985
Natural Resources	91,261	17,456	2,013	106,704
Public Safety and Defense	306,031	3,612	164	309,479
Regulatory Services	2,803	342	108	3,037
Social Services	143,773	9,545	2,173	151,145
Transportation	83,119	6,992	2,007	88,104
Total	$ 919,228	$ 60,649	$ 12,810	$ 967,067

Note 7. Risk Management and Insurance

It is the policy of the State to cover the risk of losses to which it may be exposed through risk management activities. In general, the State is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, second injury workers' compensation, tort liability (except for excess coverage for certain losses in excess of $1,000,000), vehicle liability, and property losses (except for excess coverage for certain losses in excess of $250,000, or $750,000 for certain agencies). The property loss excess coverage is limited to a maximum loss of $1,000,000,000.

Coverage for health care claims and workers' compensation is provided by two separate proprietary component units. The State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. The State Insurance Fund (SIF) provides workers' compensation coverage for the State's employees (and private and local government employees).

The SIF administers claim payments and provides excess-of-loss reinsurance to certain governmental entities that are self-insured. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately $5,344,000 in 1997. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately $32,171,000 at December 31, 1997.

The SIF limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately $50,000 in 1997. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of $1,302,000 at December 31, 1997, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve SIF from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to SIF. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented governmental component unit. The Special Indemnity Fund (SPIF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. SPIF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for both permanent partial and permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 1997, have been charged to operations for the year ended December 31, 1997. At year end, the SPIF loss liability exceeded expendable available financial resources; however, because these are adjudicated claims, the full amount of adjudicated claims is presented as a current liability in the component unit column. In addition to awards currently due and owing, SPIF has a noncurrent liability for court awarded future payments payable after December 31, in the amount of $151,321,000 as reported in the General Long-Term Debt Accounts of the discretely presented component unit's separately issued financial statements.

The remaining risk management activities of the State are included in the State's General Fund. The Risk Management Division of the Department of Central Services is responsible for administering the State's tort liability, vehicle liability, property loss, and other types of risk coverage. Also, the Division is responsible for the acquisition and administration of all insurance policies purchased by the State and administration of any self-insurance plans and programs adopted for use by the State (and for certain organizations and bodies outside of state government).

Except for SPIF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Division of the Department of Central Services represents an estimate of amounts to be paid from currently expendable available financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 1998 (December 31, 1997, for Special Indemnity Fund and State Insurance Fund) and the prior fiscal year, (expressed in thousands).

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund *- Risk Management Division	$ 6,967	$ 2,610	$ (4,205)	$ 5,372	$ -	$ 5,372
Governmental Component Unit: Special Indemnity Fund	$ 162,978	$ 27,047	$ (18,374)	$ 171,651	$ 151,321	$ 20,330
Proprietary Component Units: State Insurance Fund	$ 591,984	$ 124,329	$ (198,004)	$ 518,309	$ -	$ 518,309
State and Education Employees Group Insurance Board	95,605	311,010	(346,200)	60,415	-	60,415
Total Proprietary Component Units	$ 687,589	$ 435,339	$ (544,204)	$ 578,724	$ -	$ 578,724

* As discussed in Note 23. Litigation and Contingencies, general fund claims and judgments includes $16,292,000 accrued for the payment of litigation losses.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund - Risk Management Division	$ 7,575	$ 3,008	$ (3,616)	$ 6,967	$ 1,309	$ 5,658
Governmental Component Unit: Special Indemnity Fund	$ 146,091	$ 36,559	$ (19,672)	$ 162,978	$ 143,357	$ 19,621
Proprietary Component Units: State Insurance Fund	$ 653,739	$ 154,915	$ (216,670)	$ 591,984	$ -	$ 591,984
State and Education Employees Group Insurance Board	61,605	297,500	(263,500)	95,605	-	95,605
Total Proprietary Component Units	$ 715,344	$ 452,415	$ (480,170)	$ 687,589	$ -	$ 687,589

Public Entity Risk Pool - State and Education Employees' Group Insurance Board

The State operates the Oklahoma State and Education Employees' Group Insurance Board (Plan), a Public Entity Risk Pool.

A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active State employees and local government employees, as well as varying coverages for active education employees and certain participants of the State's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active State employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations (HMOs). Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 148,000 primary participants and dependents, approximately 18,000 primary participants and 15,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (246 local governments actually participate). Education entities may participate if a minimum of 50% of their eligible employees elect to join the Plan. Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice.

A summary of available coverages and eligible groups, along with the number of health care participants follows.

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	Other Retirement Systems	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X		X		
Disability	X	X					
Medicare Supplement				X	X	X	
Health Care Participants:							
Primary	20,000	7,000	30,000	36,000			
Dependents	55,000						

B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made.

Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the past two years for the three types of coverages: health and dental, life, and disability (expressed in thousands).

	Health and Dental		Life		Disability	
	1998	1997	1998	1997	1998	1997
Reserves at beginning of year	$ 43,896	$ 32,594	$ 1,269	$ 1,335	$ 11,610	$ 14,031
Incurred claims:						
Provision for insured events of current year	307,079	263,250	8,500	8,794	2,067	3,750
Changes in provisions for insured events of prior years	(5,450)	(159)	(329)	(236)	(857)	(3,084)
	301,629	263,091	8,171	8,558	1,210	666
Payments:						
Claims attributable to insured events of current year	258,971	219,930	7,209	7,525	283	574
Claims attributable to insured events of prior years	37,837	31,859	940	1,099	2,130	2,513
	296,808	251,789	8,149	8,624	2,413	3,087
Reserves at end of year	$ 48,717	$ 43,896	$ 1,291	$ 1,269	$ 10,407	$ 11,610

D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

Note 8. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 1998, follows (expressed in thousands).

		Component Units	
	Primary Government	Proprietary	Higher Education
1999	$ 732	$ 466	$ 1,266
2000	493	389	1,272
2001	394	319	1,296
2002	165	301	74
2003	36	270	-
Later Years	-	266	-
Total Future Minimum Lease Payments	$ 1,820	$ 2,011	$ 3,908
Operating lease commitments for building rental for year ended June 30, 1999	$ 13,640	$ 727	$ 918
Rent expenditures/expenses for operating leases for year ended June 30, 1998	$ 15,375	$ 1,245	$ 5,555

Note 9. Lessor Agreements

Direct Financing Leases

The **Department of Transportation** (Primary Government) maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the State. No interest or executory costs are charged, and lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the State to the AT&L Railroad Company and the Oklahoma, Kansas, and Texas Railroad Company with lease terms ending in 2014 and 2011, respectively. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery and equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received in future years is approximately $38,300,000, which is also the net investment in direct financing leases at June 30, 1998.

The **Oklahoma Environmental Finance Authority** leases facilities necessary for the abatement, control and reduction of pollution to industrial and commercial entities and the **Oklahoma Municipal Power Authority** leases an electrical substation to one of its member municipalities. These leases are accounted for as direct financing leases. The following schedule lists the net investment in direct financing leases as of June 30, 1998 (expressed in thousands).

Total minimum lease payments to be received - Gross investment in financing leases	$ 50,988
Less: Cost of investments and unearned income	12,730
Net investment in direct financing leases	$ 38,258

At June 30, 1998, minimum lease payments receivable for the State as a whole for each of the five succeeding fiscal years follows (expressed in thousands).

	1999	2000	2001	2002	2003
Primary Government	$ 5,420	$ 4,742	$ 4,190	$ 3,422	$ 2,972
Proprietary Component Units:					
Municipal Power Authority	$ 112	$ 112	$ 112	$ 112	$ 112
Environmental Finance Authority	5,106	2,047	2,047	2,047	4,959
Total	$ 5,218	$ 2,159	$ 2,159	$ 2,159	$ 5,071

Operating Leases

The Primary Government has operating leases maintained by various state agencies consisting primarily of state owned building space leased to non-state entities. The following schedule presents minimum future rentals receivable from these operating leases (expressed in thousands).

1999	2000	2001	2002	2003	Total
$ 327	$ 64	$ 36	$ 21	$ 16	$ 464

The **Oklahoma Turnpike Authority** has various noncancelable contracts with concessionaires to provide patron services on the Oklahoma Turnpike System. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands).

1999	2000	2001	2002	2003	Total
$ 194	$ 191	$ 191	$ 191	$ 183	$ 950

In addition, the leasing operations of the **Commissioners of the Land Office** consist of leasing approximately 800,000 acres of land principally for agricultural purposes. The lease terms are principally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the leasing of these lands (expressed in thousands).

1999	2000	2001	2002	2003	Total
$ 4,075	$ 7,321	$ 5,711	$ 4,152	$ 2,496	$ 23,755

Note 10. Long-Term Obligations - Primary Government, Governmental Funds

Long-term obligations at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General Long-Term Debt Account Group							
General Obligation Bonds Payable from Tax Revenue:							
Institutional Bldg 1992A	1993	4.25-5.20%	2018	$ 236,950	$ -	$ 4,690	$ 232,260
Institutional Bldg 1992B	1993	4.15-6.60%	2013	89,590	-	3,755	85,835
Total				326,540	-	8,445	318,095
Revenue Bonds Payable from Lease Rentals:							
OCIA Series A of 1986	1986	6.50%	2007	3,414	-	262	3,152
OCIA Series A of 1988	1988	7.00%	1998	528	-	348	180
OCIA Series A of 1994	1994	3.00-4.65%	2003	5,760	-	865	4,895
OCIA Series B of 1994	1994	4.85-7.15%	2010	15,960	-	830	15,130
OCIA Series B of 1995	1995	3.60-5.30%	2016	32,020	-	1,605	30,415
OCIA Series B of 1996	1996	3.75-5.50%	2021	3,335	-	60	3,275
OCIA 1998	1998	3.90-5.00%	2018	-	19,960	-	19,960
Tourism 1990	1990	5.95%	2000	2,245	-	545	1,700
Tourism 1994	1994	5.30-7.20%	2012	5,250	-	90	5,160
DHS-Tulsa Co. 1990 (ODFA)	1990	6.15-7.00%	2000	910	-	205	705
Total				69,422	19,960	4,810	84,572
Note Payable				36,891	-	109	36,782
Certificates of Participation				11,466	-	3,150	8,316
Capital Leases				7,002	3,503	1,911	8,594
Compensated Absences				99,650	2,814	-	102,464
Pension Obligation				2,385	-	192	2,193
Other Claims and Judgments				1,309	-	1,309	-
Total General Long-Term Debt Account Group				$ 554,665	$ 26,277	$ 19,926	$ 561,016

Reduction of debt includes deletions of capital leases ($183) and decreases in pension obligations and other claims and judgments which are not actual cash expenditures.

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for state agencies. The State has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The State's cumulative arbitrage rebate liability on general obligation bonds for the year ended June 30, 1998, is approximately $99,300.

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has seven outstanding series of building bonds to construct and equip state office buildings. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the office buildings constructed with the bond proceeds.

The following table presents annual debt service requirements for those long-term debts outstanding at June 30, 1998 that have scheduled debt service amounts (expressed in thousands).

General Long-Term Debt Account Group	1999	2000	2001	2002	2003	Maturity	Total
General Obligation Bonds:							
Institutional Bldg 1992A	$ 16,341	$ 16,358	$ 16,385	$ 16,420	$ 16,460	$ 313,402	$ 395,366
Institutional Bldg 1992B	7,993	7,937	7,922	7,895	7,871	84,047	123,665
	24,334	24,295	24,307	24,315	24,331	397,449	519,031
Interest	15,529	15,105	14,707	14,285	13,836	127,474	200,936
Total	8,805	9,190	9,600	10,030	10,495	269,975	318,095
Revenue Bonds:							
OCIA Series A of 1986	477	477	477	477	476	1,747	4,131
OCIA Series A of 1988	193	-	-	-	-	-	193
OCIA Series A of 1994	1,117	1,115	1,114	1,116	1,114	-	5,576
OCIA Series B of 1994	1,858	1,858	1,854	1,850	1,851	12,854	22,125
OCIA Series B of 1995	3,120	3,121	3,122	2,712	2,715	29,304	44,094
OCIA Series B of 1996	244	245	242	244	245	4,587	5,807
OCIA 1998	1,580	1,579	1,578	1,579	1,579	23,655	31,550
Tourism 1990	692	1,194	-	-	-	-	1,886
Tourism 1994	579	574	573	573	575	5,122	7,996
DHS-Tulsa Co. 1990 (ODFA)	261	261	259	-	-	-	781
	10,121	10,424	9,219	8,551	8,555	77,269	124,139
Interest	4,453	4,166	3,836	3,580	3,323	20,209	39,567
Total	5,668	6,258	5,383	4,971	5,232	57,060	84,572
Note Payable	923	923	923	923	923	46,496	51,111
Interest	681	671	661	651	640	11,025	14,329
Total	242	252	262	272	283	35,471	36,782
Certificates of Participation	3,175	1,382	723	774	832	1,430	8,316
Capital Leases	2,168	2,135	1,580	951	541	1,219	8,594
Total Debt Service	$ 19,816	$ 18,965	$ 17,286	$ 16,726	$ 17,100	$ 329,684	$ 456,359
Long-Term Debt without scheduled debt service:							
Compensated Absences							102,464
Pension Obligation							2,193
Total General Long-Term Debt Account Group							$ 561,016

The **Oklahoma Tourism and Recreation Department** has two revenue bond issues for the financing of capital projects of the Parks Division. The revenue generated by fees from the Parks Division is used to meet the bond obligations. Additional security is provided by a special "Bond Reserve Fund", which is maintained in the amount of $500,000 and $525,000 for the 1990 Series and 1994 Series, respectively.

The **Oklahoma Development Finance Authority** issued lease revenue bonds to provide lease financing for the Department of Human Services. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

C. Note Payable

The **Oklahoma Water Resources Board** has a contractual agreement to repay the United States, through the Army Corps of Engineers, for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments over a period of 50 years are to be made for the reservoir construction, operation and maintenance allocated to the present use water supply storage. The water storage facility was completed in 1982 and annual payments began in 1983. For further discussion of this note payable, refer to Note 23. Litigation and Contingencies.

D. Certificates of Participation

The State has lease purchase agreements funded through certificates of participation. These leases are for the purchase of equipment and facilities. Third-party leasing companies assigned their interest in the lease to underwriters which issued certificates for the funding of these obligations. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. While the State is liable for lease payments to the underwriters, the State is not liable for payments to holders of the certificates.

The following schedule presents, by fiscal year, future minimum lease payments in the General Long Term Debt Account Group, as of June 30, 1998 (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
	$ 3,663	$ 1,689	$ 964	$ 964	$ 964	$ 1,519	$ 9,763
Less: Interest							1,447
Present Value of Minimum Lease Payments							$ 8,316

Leased buildings and equipment financed by certificates of participation in the general fixed asset account group at June 30, 1998, include the following (expressed in thousands).

Equipment	$ 20,725
Buildings	16,870
Total	$ 37,595

E. Capital Leases

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases with annual payments equal to $10,000 or more.

The following schedule presents, by fiscal year, future minimum lease payments in the General Long-Term Debt Account Group, as of June 30, 1998 (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
	$ 2,981	$ 2,764	$ 1,966	$ 1,173	$ 638	$ 1,420	$ 10,942
Less: Executory costs included in minimum lease payments							870
Net Minimum Lease Payments							10,072
Less: Interest							1,478
Present Value of Minimum Lease Payments							$ 8,594

Leased buildings and equipment under capital leases in the general fixed asset account group at June 30, 1998, include the following (expressed in thousands).

Equipment	$ 9,928
Buildings	3,756
Total	$ 13,684

F. Other Claims and Judgments

Included in other claims and judgments are Risk Management liabilities that will not be paid with currently expendable available financial resources.

G. Authorized Unissued Bonds

The State has authorized the Department of Corrections to issue bonds in the amount of $1,500,000. Oklahoma Capital Improvement Authority has been authorized to issue bonds in the amount of $315,000,000 for construction and acquisition of property and $297,960,000 for the benefit of the Department of Transportation.

Note 11. Long-Term Obligations - Primary Government, Proprietary Fund

The **Oklahoma Water Resources Board** (the Board) has issued six series of revenue bonds and five series of notes payable. These bonds and notes payable provide resources to implement its statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Bonds payable at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Authorized Unissued	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Payable from User Fees:								
1989-1997 Issues	1989-1997	3.55-6.70%	2018-2026	$ -	$ 176,455	$ 50,000	$ 4,670	$ 221,785
Less: Bond Discounts				-	696	123	33	786
Total Bonds Payable Net of Discounts				$ -	$ 175,759	$ 49,877	$ 4,637	$ 220,999

The following table presents estimated annual debt service requirements for bonds payable outstanding at June 30, 1998, (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
Revenue Bonds Payable:							
1989-1997 Issues Principal and Interest	$ 26,447	$ 16,550	$ 16,434	$ 16,488	$ 16,422	$ 229,362	$ 321,703
Less: Interest	8,712	8,335	7,999	7,643	7,272	59,957	99,918
Total Principal	$ 17,735	$ 8,215	$ 8,435	$ 8,845	$ 9,150	$ 169,405	$ 221,785

Notes payable at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance
Loan Programs	1996-1998	4.00-6.65%	2000	$ 8,525	$ 6,325	$ 2,200	$ 5,185	$ 3,340
Less: Note Discounts					15	-	7	8
Total Notes Payable Net of Discounts					$ 6,310	$ 2,200	$ 5,178	$ 3,332

The following table presents estimated annual debt service requirements for notes payable outstanding at June 30, 1998, (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
Loan Programs Principal and Interest	$ 2,406	$ 1,192	$ -	$ -	$ -	$ -	$ 3,598
Less: Interest	196	62	-	-	-	-	258
Total Principal	$ 2,210	$ 1,130	$ -	$ -	$ -	$ -	$ 3,340

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The Board's cumulative arbitrage rebate liability for the year ended June 30, 1998, is approximately $2,468,000 and is recorded as other liabilities.

Note 12. Long-Term Obligations – Component Unit, Governmental Fund

The **Special Indemnity Fund** (SPIF) is indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. Included in Long-Term Obligations are permanent total and permanent partial awards payable after December 31, 1997.

Awards payable at December 31, 1997, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Beginning Balance	Additions	Reductions	Ending Balance
Claims and Judgments	$ 143,357	$ 7,964	$ -	$ 151,321

The principal allocated by year cannot be determined as amounts paid are contingent on amounts collected from funding sources.

Note 13. Long-Term Obligations - Component Units, Proprietary Funds

Bonds payable at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Authorized Unissued	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	1961-1998	3.75-10.00%	2022	$ 21,284	$ 62,073	$ 7,150	$ 400	$ 68,823
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1992-1997	3.65-6.70%	2026	-	147,405	-	5,735	141,670
Development Finance Auth.	1996	5.93-6.16%	2006	-	9,999	-	-	9,999
Environmental Finance Auth.	1973-1977	5.60-5.90%	2007	-	43,345	-	5,670	37,675
Housing Finance Agency	1980-1997	3.80-10.43%	2029	-	513,779	53,680	51,704	515,755
Turnpike Authority	1989-1992	3.15-7.88%	2022	-	665,358	-	11,727	653,631
Grand River Dam Authority	1987-1995	4.00-8.00%	2013	-	1,036,375	-	38,895	997,480
Municipal Power Authority	1990-1994	2.75-6.75%	2028	-	390,430	-	4,465	385,965
Total Before Discounts/Deferrals				21,284	2,868,764	60,830	118,596	2,810,998
Less: Bond Discounts				-	52,407	-	3,815	48,592
Net Deferred Debits on Refundings				-	119,122	-	13,206	105,916
Total Bonds Payable Net of Discounts/Deferrals				$ 21,284	$ 2,697,235	$ 60,830	$ 101,575	$ 2,656,490

The following table presents annual principal and interest payments (principal payments only for the revenue bonds of Oklahoma Housing Finance Agency) for bonds payable outstanding at June 30, 1998, (September 30, 1997, for Oklahoma Housing Finance Agency and December 31, 1997, for Oklahoma Turnpike Authority, and Grand River Dam Authority) (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
General Obligation Bonds:							
Industrial Finance Authority	$ 4,521	$ 4,544	$ 4,536	$ 4,639	$ 4,659	$ 117,237	$ 140,136
Revenue Bonds:							
Student Loan Authority	10,845	9,880	9,155	8,615	8,010	206,555	253,060
Development Finance Auth.	616	616	616	616	616	11,850	14,930
Environmental Finance Auth.	5,189	2,047	2,047	2,047	5,048	38,043	54,421
Turnpike Authority	51,648	51,649	51,653	51,653	51,652	1,025,590	1,283,845
Grand River Dam Authority	95,621	95,611	95,552	95,739	95,718	995,580	1,473,821
Municipal Power Authority	28,313	28,284	28,269	28,249	28,237	585,929	727,281
Total Principal and Interest	196,753	192,631	191,828	191,558	193,940	2,980,784	3,947,494
Less: Interest	127,307	123,835	120,250	116,732	112,420	1,051,707	1,652,251
Subtotal: Principal	69,446	68,796	71,578	74,826	81,520	1,929,077	2,295,243
Housing Finance Agency	17,200	7,833	6,705	6,383	6,383	471,251	515,755
Total Principal	$ 86,646	$ 76,629	$ 78,283	$ 81,209	$ 87,903	$ 2,400,328	$ 2,810,998

A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has issued nine series of general obligation bonds. These bonds are issued for the funding of industrial finance loans to encourage business development within the State. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the State.

B. Revenue Bonds

The **Oklahoma Student Loan Authority** (SLA) has issued ten series of revenue bonds. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution.

The **Oklahoma Development Finance Authority** (ODFA) has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy.

The **Oklahoma Housing Finance Agency** (OHFA) has issued 40 series of revenue bonds with an original issue amount of $946,904,000. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multifamily construction projects, and establish debt-service reserves as required by the various trust indentures.

The **Oklahoma Turnpike Authority** (OTA) has issued five series of revenue bonds with an original issue amount of $1,217,524,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. OTA's cumulative arbitrage rebate liability for the year ended December 31, 1997, is approximately $1,768,000.

The **Grand River Dam Authority** (GRDA) has issued three series of revenue bonds with an original issue amount of $2,091,030,000. The bonds were issued to advance refund all of GRDA's previously issued acquisition and construction indebtedness.

The **Oklahoma Municipal Power Authority** (OMPA) has issued five series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority.

C. Defeased Bonds

In prior years, proprietary component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 1998 (December 31, 1997 for OTA, GRDA, and OMPA) (expressed in thousands).

General Obligation Bonds	Revenue Bonds		
OIFA	OTA	GRDA	OMPA
$ 13,625	$ 596,975	$ 108,657	$ 50,485

D. Notes Payable

Notes payable at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance
Student Loan Authority	1993, 1995	3.85-6.41%	2025	$ 78,600	$ 40,900	$ 3,310	$ 6,850	$ 37,360
Medical Technology and Research Authority	1995-1996	6.25-8.25%	2015	4,139	3,398	634	183	3,849
Total					$ 44,298	$ 3,944	$ 7,033	$ 41,209
Less: Current Portion								217
Total Noncurrent Notes Payable								$ 40,992

The following table presents annual debt service requirements for notes payable outstanding at June 30, 1998 (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
Student Loan Authority	$ 1,670	$ 10,340	$ 1,110	$ 1,110	$ 1,110	$ 53,240	$ 68,580
Medical Technology and Research Auth.	476	476	476	476	476	3,222	5,602
Total Principal and Interest	2,146	10,816	1,586	1,586	1,586	56,462	74,182
Less: Interest	1,929	1,816	1,325	1,307	1,287	25,309	32,973
Total Principal	$ 217	$ 9,000	$ 261	$ 279	$ 299	$ 31,153	$ 41,209

Notes of the **Oklahoma Student Loan Authority** are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Notes of the **Medical Technology and Research Authority** are issued for the purpose of financing the construction of facilities and equipment and are secured by a mortgage, security interest in properties, and revenues.

E. Capital Leases

The State's proprietary component units have entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The following schedule presents, by fiscal year, future minimum lease payments in the proprietary component units as of their respective fiscal year ends (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
	$ 1,336	$ -	$ -	$ -	$ -	$ -	$ 1,336
Less: Interest							-
Present Value of Minimum Lease Payments							$ 1,336

Capital lease obligations at the component units' respective year ends, and changes for the fiscal years then ended are as follows (expressed in thousands).

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	$ 5,757	$ -	$ 4,421	$ 1,336

The following is property under capital leases at the component units' respective fiscal year ends (expressed in thousands).

Facilities and Equipment	$ 10,314
Less: Accumulated Depreciation	9,724
Net	$ 590

Note 14. Long-Term Obligations - Component Unit, Higher Education Funds

Long-term obligations at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Authorized Unissued	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds	1971-1996	0.05-10.00%	2006	-	$ 6,425	$ -	$ 1,685	$ 4,740
Revenue Bonds	1963-1998	3.00-12.00%	2028	-	165,067	24,450	15,073	174,444
Notes Payable					10,911	498	693	10,716

The following table presents annual principal and interest payments applicable to long-term debt outstanding at June 30, 1998 (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
General Obligation Bonds	$ 1,887	$ 564	$ 545	$ 527	$ 507	$ 1,406	$ 5,436
Less: Interest	157	134	115	97	77	116	696
Total Principal	$ 1,730	$ 430	$ 430	$ 430	$ 430	$ 1,290	$ 4,740
Revenue Bonds	$ 16,920	$ 16,976	$ 16,708	$ 16,739	$ 17,279	$ 198,307	$ 282,929
Less: Interest	9,132	8,607	8,078	7,615	7,470	67,583	108,485
Total Principal	$ 7,788	$ 8,369	$ 8,630	$ 9,124	$ 9,809	$ 130,724	$ 174,444
Notes Payable	$ 1,552	$ 1,415	$ 938	$ 840	$ 836	$ 10,910	$ 16,491
Less: Interest	593	531	474	455	436	3,286	5,775
Total Principal	$ 959	$ 884	$ 464	$ 385	$ 400	$ 7,624	$ 10,716

A. General Obligation Bonds

Rose State College Technical Area Education District and Tulsa Community College Area School District #18 have authorized and issued three series of general obligation bonds with an original issue amount of $15,175,000. These bonds were issued for the financing of buildings, equipment, and related capital improvements. Ad valorem taxes levied upon taxable property within their respective specific areas have been pledged to retire these general obligation bonds.

B. Revenue Bonds

Seventeen of the State's colleges and universities have authorized and issued 40 series of revenue bonds with an original issue amount of $210,672,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the facilities constructed, and other revenues collateralize the revenue bonds.

In March 1998, Langston University defeased all outstanding Series 1963 revenue bonds by placing funds in an escrow trust fund. At the time of defeasance, $379,000 of the Series 1963 bonds was outstanding. Interest totaling $45,000 will be due and payable over the remaining life of the bonds. The trust account and defeased bonds are not included in the accompanying financial statements.

Other colleges and universities have defeased revenue bonds in prior years by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 1998, $15,698,000 of bonds defeased in prior years were outstanding.

C. Notes Payable

Oklahoma State University and Carl Albert State College each entered into a note payable to fund the construction of facilities. Lease payments, a pledge of “Section Thirteen Fund State Educational Institutions” monies, and the facilities constructed secure the notes. The University of Oklahoma Health Sciences Center has also entered into a note payable to provide start up costs for the Sooner Care HMO which is operated by the Center. The revenues produced by Sooner Care HMO will be used to retire the note.

D. Capital Leases

The Higher Education Component Unit has entered into agreements to lease various facilities and equipment. Such agreements are reported as capital lease obligations.

The following presents, by fiscal year, future minimum lease payments in the Higher Education Component Unit as of June 30, 1998 (expressed in thousands).

	1999	2000	2001	2002	2003	Maturity	Total
	$ 3,635	$ 2,436	$ 2,380	$ 2,078	$ 2,046	$ 10,712	$ 23,287
Less: Interest							6,435
Present Value of Minimum Lease Payments							$ 16,852

Capital lease obligations at June 30, 1998, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	$ 18,455	$ 1,543	$ 3,146	$ 16,852

Leased equipment under capital leases in investment in fixed assets at June 30, 1998, included the following (expressed in thousands).

Facilities and Equipment	$ 30,058
Less: Accumulated Depreciation	9,660
Net	$ 20,398

Note 15. Deferred Compensation Plan

The State offers its employees a Deferred Compensation Plan (Plan) as authorized by Section 457 of the Internal Revenue Code, as amended by the Tax Reform Act of 1986. The Plan is available to all State employees, as well as any elected officials receiving a salary from the State. Participants may defer until future years up to the lesser of 25% of their gross taxable income as defined by Plan documents or $8,000 per year, with a minimum contribution of $25 per month. Participants may direct the investment of their contributions in available investment options offered by the Plan. Participants are immediately 100% vested in their respective accounts. All interest, dividends and administrative fees are allocated to participants' accounts.

The Plan offers a catch-up program to participants, which allows them to defer up to $15,000 annually for the three years prior to their year of retirement. The additional contribution, in excess of the normal maximum contributions to the Plan, are also limited to contributions for the years in which the participant was eligible, but did not participate in the Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within three years of retirement with no reduced benefits.

Deferred compensation benefits are paid out to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with Plan provisions.

Effective January 1, 1998, a Trust and Trust Fund covering the Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the Internal Revenue Code no later than January 1, 1999. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the Plan participants and their beneficiaries. Prior to the

establishment of the Trust, Plan assets were subject to the claims of general creditors of the State and were reported as an asset and liability in an agency fund. The Board acts as trustee of the Trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board is accountable for all deferred compensation received but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the plan or to determine that the Trust Fund is adequate to provide the benefits payable pursuant to the Plan. The new Trust Fund does not meet the criteria to be included as a part of the State's reporting entity.

Note 16. Beginning Fund Equity Adjustments

During fiscal 1998, the State implemented Governmental Accounting Standards Board Statement 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Some higher education institutions and proprietary component units early implemented GASB 31 in fiscal 1997. Although the new statements made numerous changes, most significant was to record investments at fair value. As a result, investments were increased by approximately $106,200,000. GASB 31 also changed the reporting of external investment pools. As a result, the State is now reporting an Investment Trust Fund, which reports a fund balance for the net assets of the trust.

During fiscal 1998, the State implemented Governmental Accounting Standards Board Statement 32 (GASB 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Prior to implementation of GASB 32, amounts deferred were reported as assets of the state. Effective January 1, 1998, a trust and trust fund covering the plan assets was established pursuant to federal legislation (see Note 15).

During fiscal 1998, five universities included in the Higher Education Component Unit reevaluated the carrying value of their plant assets.

The following schedule reconciles June 30, 1997, fund equity as previously reported, to beginning fund equity, as restated, to include the adoption of new pronouncements and other changes (expressed in thousands).

	General	Capital Projects	Enterprise	Trust and Agency	Governmental Component Unit	Proprietary Component Units	Higher Education Component Unit
June 30, 1997, fund equity, as previously reported	$ 1,648,906	$ 34,351	$ 17,554	$ 12,090,024	$ (21,306)	$ 549,242	$ 2,277,431
Reclassifications:							
Water Resources Board	(60,614)	-	129,215	-	-	-	-
Investment Trust Fund	-	-	-	10,645	-	-	-
Prior period adjustments:							
To record implementation of GASB 27 and 31	(3,817)	-	-	63,299	-	303	46,447
Plant inventory adjustments	-	-	-	-	-	-	(645)
Other	(228)	-	-	-	-	-	73
June 30, 1997, fund equity, as restated	$ 1,584,247	$ 34,351	$ 146,769	$ 12,163,968	$ (21,306)	$ 549,545	$ 2,323,306

Note 17. Oklahoma Development Finance Authority

Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust

Financing agreements of Oklahoma Development Finance Authority (ODFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA holds notes receivable and trust investments in amounts equal to the long-term financings. As of June 30, 1998, there were 138 series of debt outstanding for non-state entities, with an aggregate principal amount payable of approximately $175,000,000. These financings are not the general obligations of ODFA or the state, and it is the opinion of ODFA's management and its legal counsel that, in the event of default by a borrower, ODFA has no

responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments have been excluded from the financial statements.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of $100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 1998, there were approximately $18,600,000 of outstanding financial obligations insured by ODFA. Approximately $3,200,000 of these obligations were more than 90 days delinquent. At year end, the Fund has accrued a reserve for losses of approximately $3,200,000, to cover potential losses from outstanding financial obligations insured by the Fund and a reserve for payments in lieu of interest of approximately $160,000, for accrued interest on financial obligations insured by the Fund. Through June 30, 1998, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 18. Retirement and Pension Systems

A. General Description of the Retirement Systems

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans: Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS). The Department of Wildlife Conservation Commission administers the Wildlife Conservation Retirement Plan (WCRP). The Oklahoma Housing Finance Agency has a defined contribution retirement plan that is privately administered.

OFPRS, OPERS, OPPRS, AND TRS are cost-sharing multiple-employer defined benefit retirement systems. URSJJ, WCRP and OLERS are single-employer defined benefit retirement systems. Pension benefit provisions for all plans except WCRP were established by statute and benefit provisions are amended by the State Legislature. The WCRP was also established by statute; however, benefit provisions are established and amended by the Wildlife Conservation Commission. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the State Legislature for the six PERS and at the discretion of the Wildlife Conservation Commission for the WCRP.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

Law Enforcement Retirement
P.O. Box 11415
Oklahoma City, OK 73136

Police Pension and Retirement
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Public Employees Retirement
6601 N. Broadway Ext., Suite 129
Oklahoma City, OK 73152-3007

Uniform Retirement System for
Judges and Justices
2101 N. Lincoln Blvd.
Oklahoma City, OK 73116

Teachers Retirement
P.O. Box 53524
Oklahoma City, OK 73105-4209

The Wildlife Conservation Retirement Plan is included in the audit report of the Department of Wildlife Conservation. This report may be obtained from the Department of Wildlife Conservation, P.O. Box 53464, Oklahoma City, OK 73105.

Number of participating employers in cost-sharing multiple employer plans are as follows:

OFPRS	OPERS	OPPRS	TRS
473	127	112	633

The Teachers' Retirement System's unfunded liability increased from $4,712,000,000 to $4,806,000,000 during fiscal year 1998. The System's unfunded liabilities are expected to increase until the year 2016, due to the negative amortization created by the current funding schedule. Employee contributions are 7% of covered payroll, and employer contribution rates (currently 10.5%) will increase 1% per year until 2003, when the employer rate will reach 14.05% of active members' pay.

B. Funding Policy

The contribution requirements for the six PERS are an established rate determined by the Legislature each year and are not based on actuarial calculations. Effective July 1, 1997, the Uniform Retirement System for Judges and Justices Board has the ability to adjust contribution rates to prevent a funded ratio of less than 100%. The Wildlife Conservation Retirement Plan required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

Oklahoma Firefighters Pension and Retirement System (OFPRS) receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute $60 for each volunteer firefighter unless their income in the general fund is less than $25,000, in which case they are exempt. The State allocates to OFPRS 34% of the insurance premium tax collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 1998, 1997, and 1996 totaled $40,881,567, $39,045,428, and $36,793,282, respectively.

Oklahoma Law Enforcement Retirement System (OLERS) receives contributions from state agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. State employer contributions to the plan for the years ended June 30, 1998, 1997, and 1996 were $3,661,411, $3,601,498, and $3,548,000, respectively. These contributions represent 100% of the contribution required. OLERS also receives 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, 50 cents per vehicle inspection sticker issued after the first 1,000,000 stickers and 5% of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. The state contributions to the plan for years ended June 30, 1998, 1997, and 1996 totaled $14,345,441, $13,297,927, and $12,447,899, respectively.

Oklahoma Public Employees Retirement System (OPERS) receives contributions from each member based on their gross salary earned (excluding overtime) up to the $80,000 annual salary cap for the fiscal year ended June 30, 1998. Beginning with fiscal year 1999, the salary cap will be removed.

State, County, and Local Agency Employees - The contribution rates in effect for state employees and agencies are summarized as follows:

	State Employees		State Agencies
Year ended June 30	First $25,000	Above $25,000 To Cap	To Cap
1998	3.00%	3.50%	12.50%

Percentages as set forth in the following table apply to participating county and local agencies:

Year ended June 30	First $25,000 Maximum Employee	First $25,000 Maximum Employer	Total	To Cap Employee	To Cap Employer
1998	8.00%	12.50%	15.50%	3.50%	12.50%

Effective July 1, 1998, state agency employees will contribute 3% on salary up to $25,000 and 3.5% on amounts over $25,000. State agency employers will contribute 12.5% on all salary. Participating county and local agencies will contribute a total of 16% on all salary, with a minimum employee contribution rate of 3.5% and a maximum of 8.5% and a minimum employer contribution of 7.5% and a maximum of 12.5%.

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and, the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Elected officials must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%.

Eligible Officers - Eligible officers contribute 6.5% on the first $25,000 of earned compensation and 8.0% for salaries over $25,000 up to the applicable salary cap. Employer contributions are made on the same basis as for state agencies. Effective July 1, 1998, eligible officers will contribute 8% and their employer agency will contribute 12.5% on all salary.

State agency employer contributions to OPERS for the year ended June 30, 1998, 1997, and 1996 were $123,943,769, $118,336,820, and $107,381,215, respectively. These contributions represent 100% of the contribution required.

As a result of legislation passed during the 1998 legislative session, several changes were made to the OPERS plan. These changes included, simplifying the calculation of benefits, providing for a refund of optional after-tax contributions made by members from 1987 to 1994, and providing a cost of living increase of 2.5% to 25% to retirees.

Uniform Retirement System for Justices and Judges (URSJJ) member contributions for fiscal 1998 was 5% of members' monthly salary. If a member elects to extend the provisions of URSJJ to a surviving spouse, contributions are 8% of a member's monthly salary. Effective July 1, 1997, state statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. The percentage established for the year ended June 30, 1998, was 14.13%. The percentage increases annually through June 30, 2018, to a maximum of 21.7%.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%. Each participant of OPPRS continues to contribute 8% of their actual paid base salary. In addition, the State allocates 14% of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 1998, 1997, and 1996 totaled $17,177,000, $15,734,000, and $15,150,000, respectively.

Teachers Retirement System (TRS) receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. Beginning July 1, 1997, all members must contribute 7% of regular annual compensation, not to exceed the members maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member’s regular annual compensation. For those members employed by a comprehensive university, the following table summarizes the maximum compensation level.

Fiscal Year	For Members Who Elected the $25,000 Limit Prior to June, 30 1995	For All Other Members
1998	37,500	54,000
1999	42,500	59,000
2000	47,500	64,000
2001	52,500	69,000
Thereafter	No limit	No limit

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 10.5% for fiscal year 1998 is applied to annual compensation up to defined caps depending upon the member's elections as previously described. Oklahoma statutes require the State to contribute 5/7ths of 78% of the natural and casinghead gas tax collected each year. TRS received approximately $133,541,781 which was used to offset the percentage of the required employer contributions. Effective July 1, 1997, for teachers meeting certain minimum salary requirements, the State will make part of the employee's required contribution depending on years of service. State contributions on behalf of employees totaled approximately $32,663,000 for fiscal year 1998. Federal contribution to TRS for fiscal year 1998 totaled approximately $9,889,189. State employer contributions to TRS for the year ended June 30, 1998, 1997, and 1996 were $2,323,736, $2,256,922, and $1,103,617, respectively. These contributions represent 100% of the contribution required.

Senate Bill 1037, passed during the 1998 legislative session, modifies one of the system's funding sources. Effective July 1, 1999, the TRS will receive 3.25% of available money from the General Revenue Fund and 3.5% for years thereafter replacing the natural and casinghead gas tax currently received by TRS. This legislation also provided a cost of living increase of 5% to retirees and increased the contribution rate for employers by 1% until fiscal year 2003.

Wildlife Conservation Retirement Plan receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For July 1, 1997, the employee contribution rate was 3%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 1998 was $1,110,000.

C. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (URSJJ's and OLERS' excess funding is represented as negative amounts) for the current year were as follows (expressed in thousands):

	URSJJ	WCRP	OLERS
Annual required contribution	$ -	$ 1,483	$ 6,101
Interest on net pension obligation	(620)	186	(3,177)
Adjustment to annual required contribution	839	(297)	4,335
Annual pension cost	219	1,372	7,259
Contributions made	2,878	1,500	17,788
Increase (decrease) in net pension obligation	(2,659)	(128)	(10,529)
Net pension obligation-beginning of year	(8,272)	2,321	(45,390)
Net pension obligation-end of year	$ (10,931)	$ 2,193	$ (55,919)
Actuarial Assumptions:			
Investment rate of return	7.5%	8.0%	7.0%
Annual salary increase	1.0%	5.0%	5% to 9%
COLA increase	4.5%	2.0%	none

The annual required contribution for URSJJ and OLERS for the current year was determined as part of the July 1, 1997, actuarial valuation. Costs in the valuation were prepared using the entry age actuarial cost method, until July 1, 1994, for URSJJ and for all years except July 1, 1997, for OLERS, which was when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date, assuming a 7.5% rate of return for URSJJ and 7% rate of return for OLERS. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The

expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The Required Supplementary Information is not supplied for URSJJ since contributions are determined under the aggregate method.

The annual required contribution for WCRP for the current year was determined as part of the July 1, 1997, actuarial valuation. Costs in the valuation were prepared using the entry age actuarial cost method. The actuarial value of assets is set equal to the market value of assets. The unfunded actuarial accrued liability is being amortized over a 15-year period.

Three - Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/98	$7,259	245%	($55,919)
	6/30/97	8,478	199%	(45,391)
	6/30/96	9,194	174%	(36,969)
Uniform Retirement System for Justices and Judges	6/30/98	219	1314%	(10,931)
	6/30/97	1,280	373%	(8,272)
	6/30/96	2,547	179%	(4,777)
Wildlife Conservation Retirement Plan	6/30/98	1,372	109%	2,193
	6/30/97	1,440	89%	2,385
	6/30/96	1,354	93%	2,232

The following required supplementary schedule for the Wildlife Conservation Retirement Plan and the Oklahoma Law Enforcement Retirement System was determined as part of the actuarial valuations at the dates indicated. The Required Supplementary Information is not supplied for OLERS for July 1, 1997 since contributions were calculated using the aggregate cost method.

Schedule of Funding Progress

(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Oklahoma Law Enforcement Retirement System						
7/1/98	$392,095	$396,600	$4,505	98.9%	$34,032	13.2%
7/1/97	335,200	NA	NA	NA	NA	NA
7/1/96	299,011	304,833	5,822	98.1%	29,633	19.6%
Wildlife Conservation Retirement Plan						
7/1/98	51,345	53,005	1,660	96.9%	11,094	15.0%
7/1/97	46,333	50,907	4,574	91.0%	11,389	40.2%
7/1/96	42,368	48,101	5,733	88.1%	10,808	53.0%

D. Other Retirement Systems

The Oklahoma Housing Finance Agency (OHFA), a component unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan with 83 members. Under its provisions, employees become eligible for the plan after one year of service, at which time OHFA may contribute up to 10% of the employees' compensation to the Plan. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. Employees begin vesting after two years of service and become fully vested after six years of service. Employees are allowed to contribute to the plan on an after-tax basis with no limitations. Plan provisions were established and may be amended by the Board of Trustees. For the year ended September 30, 1997, OHFA's retirement plan expense was $245,614. Contributions made by OHFA represent 10% of covered payroll for 1997, net of plan forfeitures.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans, are defined contribution plans. Contributions made by the institutions are based on a percentage of payroll for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was $484,695,000. The institution contributions were $41,500,000 or 8.6% of covered payroll. Employees are not required to contribute to the plans.

Some Public Beneficiary Trusts are not eligible for participation in OPERS, and may have their own retirement plans.

Additional information regarding these plans may be found in the separately issued financial reports of these component units.

Note 19. Condensed Financial Statement Information

Primary Government

The enterprise fund presented in the combined financial statements is comprised solely of **Oklahoma Water Resources Board** loan programs and bond issues. This enterprise fund has current assets totaling $112,319,000 and current liabilities totaling $23,974,000, leaving net working capital of $88,345,000 for the fiscal year ended June 30, 1998.

The investment trust fund presented in the fiduciary column of the combined financial statements is comprised of an external investment pool. The investment pool consists of both internal and external investors. Condensed financial statement information for the internal and external portions of the pool follows (expressed in thousands).

	Internal Investment Pool	External Investment Pool	Total Pool
Assets	$ 850,158	$ 10,720	$ 860,878
Liabilities	-	-	-
Net Assets	$ 850,158	$ 10,720	$ 860,878
Additions			
Contributions	$ 8,060,766	$ 22,926	$ 8,083,692
Investment Revenue	38,625	596	39,221
Total Additions	8,099,391	23,522	8,122,913
Deductions			
Distributions to Pool Participants	8,072,530	23,447	8,095,977
Net Increase	26,861	75	26,936
Net Assets, Beginning of Year	823,297	10,645	833,942
Net Assets, End of Year	$ 850,158	$ 10,720	$ 860,878

Component Units

Condensed financial statement information for the discretely presented proprietary component units for the fiscal year ended June 30, 1998 (unless a different fiscal year is indicated), follows (expressed in thousands). Descriptions of and goods or services provided by each component unit are disclosed in Item A of Note 1.

	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	State Insurance Fund (12-31-97 Fiscal Year)	State and Education Employ. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Operating Revenue	$ 5,019	$ 3,485	$ 136,453	$ 280,050	$ 14,245	$ 109,159
Operating Expenses						
Depreciation	18	-	2,031	187	630	12,223
Other	4,639	3,071	148,211	291,988	11,675	148,467
Operating Income (Loss)	362	414	(13,789)	(12,125)	1,940	(51,531)
Operating Transfers:						
From Primary Government	-	-	-	-	-	27,147
To Primary Government	-	-	-	-	-	-
Nonoperating Revenues (Expenses)	(116)	33	66,981	21,111	2,561	21,200
Deferred Costs	-	-	-	-	-	-
Net Income (Loss)	$ 246	$ 447	$ 53,192	$ 8,986	$ 4,501	$ (3,184)
Current Assets	$ 14,520	$ 555	$ 920,766	$ 183,612	$ 36,926	$ 46,148
Current Liabilities	1,851	-	732,747	72,585	7,338	3,421
Net Working Capital	$ 12,669	$ 555	$ 188,019	$ 111,027	$ 29,588	$ 42,727
Total Assets	$ 71,469	$ 555	$ 929,526	$ 184,314	$ 222,857	$ 168,600
Total Liabilities	70,092	-	732,747	72,585	181,503	3,707
Fund Equity	$ 1,377	$ 555	$ 196,779	$ 111,729	$ 41,354	$ 164,893
Long-term Liabilities	$ 68,241	$ -	$ -	$ -	$ 174,165	$ 286
Fixed Assets - Beginning of Year	$ 203	$ -	$ 19,472	$ 1,725	$ 801	$ 269,040
Additions	1	-	946	253	151	5,648
Deletions	(24)	-	(278)	-	-	(1,766)
Fixed Assets - End of Year	$ 180	$ -	$ 20,140	$ 1,978	$ 952	$ 272,922

The **Oklahoma Housing Finance Agency** (OHFA) received Federal financial assistance totaling $33,194,000 in housing assistance payments during the year ended September 30, 1997, under the Housing Assistance Payments Program. This Federal assistance was netted against applicable Federal expenditures on the financial statements. Therefore, no Federal revenue is presented for the OHFA operating statement.

Medical Technology and Research Authority	Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency (9-30-97 Fiscal Year)	Oklahoma Turnpike Authority (12-31-97 Fiscal Year)	Grand River Dam Authority (12-31-97 Fiscal Year)	Oklahoma Municipal Power Authority (12-31-97 Fiscal Year)	Total
$ 2,737	$ 597	$ 2,605	$ 44,642	$ 118,325	$ 177,556	$ 82,368	$ 977,241
179	31	-	150	31,044	26,019	6,386	78,898
2,387	1,072	2,609	46,369	32,713	89,046	61,304	843,551
171	(506)	(4)	(1,877)	54,568	62,491	14,678	54,792
-	-	-	-	30,274	-	-	57,421
-	-	-	-	(30,274)	-	-	(30,274)
(77)	825	2	4,411	(28,471)	(54,123)	(18,133)	16,204
-	-	-	-	-	(3,402)	4,303	901
$ 94	$ 319	$ (2)	$ 2,534	$ 26,097	$ 4,966	$ 848	$ 99,044
$ 787	$ 10,709	$ -	$ 63,448	$ 83,532	$ 110,188	$ 15,596	$ 1,486,787
424	33	3,306	24,408	46,480	58,432	26,228	977,253
$ 363	$ 10,676	$ (3,306)	$ 39,040	$ 37,052	$ 51,756	$ (10,632)	$ 509,534
$ 4,558	$ 16,810	$ 37,941	$ 558,056	$ 790,165	$ 962,301	$ 416,155	$ 4,363,307
4,056	13,598	37,869	524,712	695,747	929,082	401,286	3,666,984
$ 502	$ 3,212	$ 72	$ 33,344	$ 94,418	$ 33,219	$ 14,869	$ 696,323
$ 3,632	$ 13,565	$ 34,563	$ 500,304	$ 649,267	$ 870,650	$ 375,058	$ 2,689,731
$ 3,643	$ 124	$ -	$ 1,452	$ 1,082,544	$ 893,313	$ 201,626	$ 2,473,943
1,402	23	-	130	35,716	19,838	2,191	66,299
(760)	-	-	-	(1,789)	(14,269)	(998)	(19,884)
$ 4,285	$ 147	$ -	$ 1,582	$ 1,116,471	$ 898,882	$ 202,819	$ 2,520,358

Note 20. On-Behalf Payments

In 1992, legislation was passed which resulted in changes in the amount and manner in which employer contributions to the Teachers' Retirement System (TRS) are determined and made. For years beginning July 1, 1992, employer contributions are fixed at certain percentages of annual compensation. Contributions from the State, through the dedicated natural and casinghead gas tax, are used to pay a portion of the contributions required. The employer is responsible for providing any difference between the dedicated tax and the required employer contribution. During fiscal year 1998, the State contributed, through the dedicated natural and casinghead gas tax, approximately $30,294,000 to TRS on-behalf of the Higher Education Component Unit. These contributions are recognized as tax revenue/operating transfers to component units in the General Fund and operating transfers from primary government/expenditures in the Higher Education Component Unit.

In addition, approximately $2,902,000 in salary supplements were paid to employees of the State's colleges and universities by various foundations organized to promote the interests of these entities. These supplements are reflected in the financial statements as revenue and expenditures of the Higher Education Component Unit.

Note 21. Other Postemployment Benefits

In addition to the pension benefits described in Note 18, the State provides post-retirement health care benefits (OPEB). Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Judges and Justices (URSJJ), and Wildlife Conservation Retirement Plan (WCRP) pay the Medicare supplement insurance premium or $75 per month, whichever is less, for all retirees who elect coverage at time of retirement through the Oklahoma State and Education Employee Group Insurance Board. Teachers' Retirement System of Oklahoma (TRS) pays between $70 and $75 per month for each retiree, depending on the member's years of service.

	Current Year Expenditures	Eligible Participants	Enabling Legislation
OLERS	$ 316,873	395	Title 74, 1316.2
OPERS	11,678,000	13,028	Title 74, 1316.2
URSJJ	63,700	71	Title 74, 1316.2
TRS	19,774,000	23,718	Title 74, 1316.2
WCRP	62,609	72	Title 29, 3-306

OLERS, OPERS, URSJJ, TRS and WCRP fund postemployment health care benefits as part of the overall retirement requirement. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations. Disclosure information regarding OPEB is included in Note 18.

Oklahoma Firefighters Pension and Retirement System and Oklahoma Police Pension and Retirement System do not provide other postemployment benefits.

Fourteen of the colleges and universities included in the Higher Education Component Unit offer postemployment benefits upon the authorization of the institution’s Board of Regents. These benefits primarily provide health, dental and life insurance benefits. The eligibility requirements differ depending on the college or university. Current year benefit expenditures, funded on a pay-as-you-go basis, totaled approximately $2,656,000 for the estimated 2,100 eligible participants.

Note 22. Commitments

Primary Government

The **Department of Transportation** had contractual commitments at June 30, 1998, of approximately $438,200,000 for construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The **Department of Human Services** (DHS) maintains a construction unit which engages in capital improvements of State buildings. At year end, DHS had long-term projects totaling $23,404,000 for the General Fund and $452,000 for the Capital Projects Fund.

Component Units

The **Oklahoma Industrial Finance Authority** (OIFA) had outstanding loan commitments at June 30, 1998, approved by its Board of Directors totaling $10,706,000. These loan agreements included a "pending clause" which states that money would be disbursed upon availability of funds.

The **Oklahoma Student Loan Authority** (OSLA) has entered into various forward purchase and sale commitment agreements with certain Oklahoma financial institutions for which it performs interim status loan servicing. Under these forward purchase commitments, OSLA is required to purchase the Federal Family Education Loans (FFEL) under certain terms and conditions. As of June 30, 1998, OSLA was committed to purchase approximately $24,580,000 of FFEL.

The **University Hospitals Authority** (UHA) has entered into certain agreements with the HCA Health Services of Oklahoma Inc. (Company), a subsidiary of Columbia, providing for, among other things, the lease of land, buildings and improvements, and equipment utilized in connection with and comprising UHA's University Hospitals to the Company on a long-term basis. Certain other assets were also transferred to and are operated by the Company. The academic program of the University of Oklahoma Health Sciences Center is to continue to be affiliated with the UHA. The Company will provide certain medical care to the indigent. The UHA and the Company have entered into agreements setting forth terms and conditions for the joint operation of the University Hospitals and the adjacent Presbyterian Hospitals by UHA and the Company. This joint operating agreement is referred to as the University Health Partners.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 1997, relating to equipment orders and supplies of approximately $1,202,000. At December 31, 1997, OTA had commitments outstanding relating to construction and maintenance contracts of approximately $1,319,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately $9,100,000 of power pursuant to several long-term purchase agreements during 1997. OMPA is obligated to purchase, at a minimum, approximately $6,200,000 of power annually through 2000, decreasing to $2,880,000 annually through 2003.

Under the bond resolutions, OMPA has covenanted that it will establish and collect rents, rates, and charges under the power sales contracts and will charge and collect rents, rates, and charges for the use or sale of the output, capacity or service of its system. This revenue and other available revenues, are expected to yield net revenues for the 12 month period commencing with the effective date of such rents, rates, and charges equal to at least 110% of the aggregate debt service for such period. This revenue and other available funds, will enable OMPA to discharge all other indebtedness, charges, and liens payable under the resolutions.

Note 23. Litigation and Contingencies

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 1998. Including the $7,427,000 claim incurred by the Component Units discussed below, the State has accrued a liability of $16,262,000 for the payment of such claims. This amount is reported in the General Fund.

Other litigation and civil actions have been filed against the State with an estimated loss of approximately $1,400,000 to $6,400,000. Because the outcome of these proceedings is in question, no liability has been recorded for any loss that may result from these claims.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowances as a result of these audits could become a liability of the State. As of June 30, 1998, the State is unable to estimate what liabilities may result from such audits.

Primary Government

The **Department of Transportation** (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, 82% of the amount held in suspense will be reimbursed. At June 30, 1998, DOT had project expenditures totaling $3,400,000 of which an estimated $2,788,000 will be reimbursed pending approval of the Federal Government.

The **Oklahoma Water Resources Board** (Board), pursuant to statute, assumed the obligations of the Oklahoma Water Conservation Storage Commission including a 1974 contractual obligation to repay the United States (through the Army Corps of Engineers) for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma.

Under the 1974 contract, annual payments are to be made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage are approximately $38,400,000. Payments on the reservoir began in 1983 and are to continue for 50 years. As of June 30, 1998, the State has made payments of approximately $4,420,000; however, the Board did not receive legislative authorization to pay the annual payments due in the fiscal years 1989 through 1995. The amount in arrears, including interest and penalty is approximately $6,060,000. The Army Corps of Engineers has indicated that the obligation may be declared in default and remedies sought. However, as an alternative the State is considering making a proposal to extinguish the debt on the reservoir by making a single lump sum payment to the federal government in the amount of $20,000,000. This lump sum payment would need approval by all parties involved and as of June 30, 1998, such approval for this payment had not yet been received.

Component Units

The State Legislature enacted legislation which transferred $31,500,000 of state employee insurance premiums during fiscal year 1997 to the **Oklahoma State Regents for Higher Education** to help fund higher education in the state. These premiums were originally designated to be paid to the **Oklahoma State and Education Employees Group Insurance Board** to provide health insurance coverage for state employees. Of the $31,500,000 transferred, $7,427,000 was included in grant costs charged to the federal government. In August 1998, the Federal Department of Health and Human Services Departmental Appeals Board sided with the federal government and ordered the State to pay $7,427,000 in principal and $1,106,000 in interest accrued through October, 1998. A liability for principal and interest (accrued through June 30, 1998) is recorded in the General Fund. The State is continuing to pursue alternatives for resolution of this claim.

Note 24. Subsequent Events

Primary Government

Legislation enacted during fiscal year ended June 30, 1998, authorized the issuance of $315,000,000 in revenue bonds for the purpose of acquiring and constructing real property and improvements and personal property and making repairs, refurbishments and improvements to real and personal property. The Legislature also approved the issuance of $297,960,000 State Highway Capital Improvement Revenue Bonds, Series 1998. These bonds were sold in July 1998.

Component Units

During October 1997, **Oklahoma Housing Finance Agency** issued $30,000,000 of Single Family Mortgage Revenue Bonds 1997, Series B1-3. During February 1998, the Diplomat project bonds were refunded.

Beginning in July 1998, the **Oklahoma Student Loan Authority** (OSLA) implemented a program to pay the 1% guarantee fee on loans with a first disbursement on or after this date. This guarantee fee payment program applies to all loans originated by OSLA and to all loans committed to be sold to OSLA by the FFELP lenders serviced by OSLA. OSLA has committed to this fee payment program for the fiscal year ending June 30, 1998.

In July 1998, OSLA placed its $33,000,000 Oklahoma Student Loan Bonds and Notes, Variable Rate Demand Obligations, Series 1998A.

In January 1998, **Oklahoma Turnpike Authority** received final approval for issuance of revenue bonds in an approximate amount of $724,000,000 for the financing of certain turnpike projects totaling $603,000,000.

Note 25. Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999. Problems resulting from this issue have the potential for causing a disruption to some government operations and may temporarily increase the cost of those operations.

The State has taken an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conduct State operations. Because of the unprecedented nature of the year 2000 issue, its effects and the success of remediation efforts will not be evident until the year 2000 and beyond. It is possible that remediation efforts will identify additional critical changes that could substantially increase the amount of future resources needed. It cannot be assured that the State will be successful in whole or in part with its year 2000 remediation efforts, or that parties with whom the State conducts business will be year 2000 ready.

Primary Government

The Primary Government is comprised of agencies that provide internal services such as accounting, benefit and treasury functions. The Primary Government also includes agencies that address public safety, health and welfare issues for constituents of the State. Most of these agencies are considered to be critical to the operations of the State. Based on the results of the inventory, a majority of the critical Primary Government agencies are in the remediation stage. Most agencies have made an assessment of systems and equipment that need remediation and have estimated future costs and efforts needed in order to make systems year 2000 compliant. At June 30, 1998, $1,700,000 had been contracted for the purchase of equipment and labor to remediate, validate and test current systems. In addition, these agencies have committed an additional $11,500,000 of future resources to correct year 2000 deficiencies.

Component Units

Although legally separate, the Component Units conduct substantial business with and on behalf of the State. As a result, most are considered to be critical to the operations of the State. Based on aggregated results of their reported inventory, most Component Units of the State are in the remediation stage of making their systems and equipment year 2000 compliant. The Component Units had contracted amounts of $4,400,000 at June 30, 1998, for completion of remediating, validating and testing systems. These Component Units have also committed future resources of $2,300,000 to make their remaining systems and equipment year 2000 compliant.

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To view the divider page featuring the art of H.T. "Harold" Holden and his biography, please click here.

Required Supplementary Information

Required Supplementary Information

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
EDUCATION				
State Arts Council				
1	Duties	$ 3,036	$ 2,153	$ 883
2	Duties	452	375	77
2	Pay Raise Funding	7	7	0
11	Carryover from FY-97 Duties	50	50	0
	Agency Total	3,545	2,585	960
Department of Education				
2	Financial Support (1)	225	225	0
2	Financial Support (1)	1,311	1,311	0
1	Financial Support (1)	1,138,122	1,138,122	0
1	Advalorem Tax Protest (1)	4,546	4,546	0
1	Textbooks (1)	18,591	18,591	0
1	Carryover from FY-97 Textbooks (1)	839	839	0
1	Teachers' Retirement	3,600	3,600	0
2	Teachers' Retirement	8,000	8,000	0
2	Teachers' Retirement	4,000	4,000	0
2	Textbooks (1)	605	605	0
2	Financial Support (1)	26,372	26,372	0
2	Carryover from FY-97 Textbooks (1)	679	678	1
3	Carryover from FY-97 Textbooks (1)	70	70	0
3	Homebound Children (1)	1,193	1,193	0
4	Advance Placement Grants (1)	2,000	2,000	0
5	Advance Placement Grants (1)	112	112	0
6	Advanced Placement Training	600	592	8
7	Advance Placement Grants (1)	727	727	0
7	Carryover from FY-97 Advance Placement (1)	353	353	0
8	Advance Placement Exam Fee Reimbursement	206	0	206
9	Advance Placement Administration Costs	55	46	9
9	Carryover from FY-97 Develop Student Tracking	1,239	121	1,118
10	Community Education Grants (1)	300	300	0
11	Community Education Grants (1)	100	100	0
12	Community Education Consortium	25	25	0
13	Staff Development - Ardmore (1)	93	93	0
14	Staff Development - Bartlesville (1)	93	93	0
15	Staff Development - Lawton (1)	93	93	0
16	Staff Development - McAlester (1)	93	93	0
17	Staff Development - Norman (1)	93	93	0
18	Staff Development - Stillwater (1)	93	93	0
19	Staff Development - Woodward (1)	93	93	0
20	Staff Development - Ada (1)	4,311	4,311	0
21	Staff Development - Great Expectations	500	500	0
23	Staff Development - Professional Development (1)	3,350	3,350	0
24	Teacher Consultant Stipend (1)	958	958	0
25	Teacher Consultant Stipend (1)	80	80	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
25 Carryover from FY-97 Office of Accountability	15	14	1
26 Psychometric Services (1)	887	887	0
27 Alternative Education Academies (1)	10,400	10,400	0
28 Alternative Education Academies (1)	7,176	7,176	0
29 Alternative Education Grant (1)	1,807	1,807	0
30 Alternative Education Grant (1)	480	480	0
30 Carryover from FY-97 School Lunch	74	74	0
31 Carryover from FY-97 Hissom Compliance	198	138	60
31 Alternative Education Academies Evaluations	703	703	0
32 Alternative Education Academies - Arts (1)	200	200	0
32 Carryover from FY-97 Parent Training	0	0	0
33 Alternative Education Academies Administration	83	69	14
34 Hissom Compliance	241	160	81
35 Student ID Numbering System	1,500	2	1,498
36 Summer Arts Institute	300	300	0
37 Education Leadership Oklahoma (1)	350	350	0
38 ELO National BD Certification (1)	400	400	0
38 Carryover from FY-97 Alternative Education	40	40	0
39 Parent Training - Child Service Center	19	0	19
40 Parent Training - Public Housing	150	130	20
41 Parent Training - Early Child	42	40	2
42 Carryover from FY-97 Department of Education	954	953	1
42 Agriculture in the Classroom (1)	47	47	0
43 Agriculture in the Classroom (1)	3	3	0
43 Carryover from FY-97 Cost Accounting	7	7	0
44 Out-of-Home Placement - OJA (1)	100	100	0
44 Carryover from FY-97 Mainframe	33	33	0
45 Out-of-Home Placement - DHS (1)	31	31	0
46 Out-of-Home Placement - JD McCarty (1)	35	35	0
47 Out-of-Home Placement - Eleemos (1)	117	117	0
47 Carryover from FY-97 Parent Training	67	60	7
48 School Communication Network (1)	129	129	0
48 State Aid Public Service (1)	808	808	0
49 ICTE - Small School Co-ops (1)	463	463	0
50 ICTE - Jane Brooks School/Deaf (1)	56	56	0
51 ICTE - OK Science and Engin. Fair (1)	53	53	0
52 ICTE - Telecomm. Curriculum (1)	280	280	0
53 School Lunch Matching (1)	3,489	3,489	0
54 School Lunch Matching (1)	52	52	0
55 School Lunch Programs (2)	3,191	3,022	169
56 Adult Education Matching (1)	863	863	0
57 Adult Education Matching (1)	446	446	0
58 Driver Education (1)	1,605	1,605	0
59 Special Education Assistance (1)	479	479	0
60 Special Education Assistance (1)	221	221	0
61 Office of Accountability	213	212	1
62 Office of Accountability	17	13	4
63 Office Accounting Increase in Benefits	1	1	0
64 Early Intervention (1)	6,358	6,358	0

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
65	Early Intervention (1)	1,953	1,953	0
65	Early Intervention Increase in Benefits (1)	88	88	0
67	OPAT - Local Education Agencies (1)	2,174	2,174	0
68	Teachers' Retirement	16,000	16,000	0
69	Small School Incentives (1)	300	300	0
70	Administrative and Support Functions	17,204	16,462	742
71	Administrative and Support Functions	136	0	136
72	Administration and Support - Benefit Increase	148	148	0
73	Financial Accounting	203	203	0
74	Criterion Reference Test	247	0	247
75	National Assessment of Education Progress	48	0	48
76	Oklahoma Ambassador of Teaching	48	29	19
77	Parent Training - Field Operations	75	34	41
78	Oklahoma Geographic Alliance	48	48	0
	Agency Total	1,307,575	1,303,123	4,452
Oklahoma Education Television Authority				
1	Duties	2,518	2,512	6
2	Duties	192	181	11
3	Pay Raise	30	27	3
11	Carryover from FY-97 Duties	0	0	0
	Agency Total	2,740	2,720	20
Commissioners of the Land Office				
1	Duties	3,708	3,476	232
2	Duties - Allowance Pay Raise	29	21	8
2	Duties	110	55	55
	Agency Total	3,847	3,552	295
Department of Libraries				
1	Duties	5,442	5,331	111
2	Duties	503	494	9
3	Duties - Increase in Benefits	38	38	0
11	Carryover from FY-97 Duties	233	233	0
12	Carryover from FY-97 Duties	24	24	0
	Agency Total	6,240	6,120	120
Physician Manpower Training Commission				
1	Duties	400	320	80
1	Duties	4,790	4,730	60
2	Duties	297	242	55
3	Duties - Pay Raise Funding	3	3	0
11	Carryover from FY-97	28	28	0
	Agency Total	5,518	5,323	195

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
Center for Advancement of Science and Technology			
1 Duties	433	382	51
1 Duties (1)	5,194	5,194	0
2 Agency Administration (1)	424	424	0
3 Research Support Revolving Fund (1)	3,000	3,000	0
4 Pay Raise Funding (1)	8	8	0
11 Carryover from FY-97 Duties	34	34	0
Agency Total	9,093	9,042	51
Oklahoma School of Science and Mathematics			
1 Duties	3,627	3,353	274
2 Duties	390	352	38
3 Pilot Outreach Program	300	153	147
4 Duties - Increase in Benefits	22	22	0
11 Carryover from FY-97 Duties	142	120	22
12 Carryover from FY-97 Duties	158	128	30
Agency Total	4,639	4,128	511
Vocational and Technical Education			
1 Training for Industry Program	1,500	0	1,500
1 Duties (1)	1,966	1,966	0
2 Duties (1)	4,740	4,740	0
3 98 Support Train and Industry Programs	2,300	2,300	0
4 Employee Contribution to Retirement	1,063	1,063	0
5 Duties (1)	158	158	0
8 Duties (1)	57,020	57,020	0
8 Duties	39,157	36,567	2,590
12 School District Payments - Ad Valorem (1)	725	725	0
18 Carryover from FY-97 Duties	3,914	3,914	0
Agency Total	112,543	108,453	4,090
Education Total	1,455,740	1,445,046	10,694
GENERAL GOVERNMENT			
Office of State Finance			
1 Duties	8,611	7,287	1,324
2 RIF Emergency Cost Fund (1)	500	500	0
3 Duties - Benefits Pay Increase	57	57	0
Agency Total	9,168	7,844	1,324
Capitol Improvement Authority			
1 Retire Bonds and Capitol Improvement	144	144	0
Agency Total	144	144	0

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Department of Commerce				
1	Duties	17,198	16,168	1,030
1	Duties (1)	745	745	0
2	Duties	1,306	1,025	281
3	Native American Culture (1)	250	250	0
4	Substate KEDDO Contract	265	0	265
5	Expand SEEDS Project	175	45	130
6	SODA Nutrition Programs	50	0	50
7	Duties - Pay Raise	81	81	0
51	Carryover from FY-97 Duties	1,389	1,338	51
52	Carryover from FY-97 Native American (1)	218	218	0
53	Carryover from FY-97 Dual Use Training Center	37	0	37
56	Carryover from FY-97 Rural Enterprise (1)	0	0	0
61	Carryover from FY-97 Rural Regional Incubator	29	23	6
64	Carryover from FY-97 Head Start	3	2	1
65	Carryover from FY-97 International Marketing	105	105	0
	Agency Total	21,851	20,000	1,851
Oklahoma Commission for Teacher Preparation				
1	Duties	136	37	99
2	Duties	1,821	1,431	390
3	Duties - Increase in Benefits	1	1	0
11	Carryover from FY-97 Duties	11	9	2
	Agency Total	1,969	1,478	491
State Election Board				
1	Duties	5,815	5,292	523
2	Debt Service	11	11	0
3	Duties - Pay Raise	51	51	0
11	Carryover from FY-97 Duties	1,396	1,385	11
11	Carryover from FY-97 Elections	1,150	1,147	3
	Agency Total	8,423	7,886	537
Ethics Commission				
1	Duties	320	320	0
2	Duties	50	50	0
2	Duties - Pay Raise	4	4	0
11	Carryover from FY-97 Duties	0	0	0
13	FY-97 Carryover Special Investigations	14	14	0
	Agency Total	388	388	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
Merit Protection Commission			
1 Duties	521	511	10
2 Duties	15	15	0
3 Duties - Pay Raise Funding	4	4	0
Agency Total	540	530	10
State Auditor and Inspector			
1 Duties	3,668	3,664	4
2 County Govt Personnel Education and Training	384	384	0
3 County Govt Computer Systems	45	43	2
4 REAP Program (1)	5,000	5,000	0
5 REAP Program (1)	7,500	7,500	0
6 Duties	547	542	5
7 Duties - Benefits Allowance Increase	80	80	0
11 Carryover from FY-97 Duties	4	4	0
15 Carryover from FY-97 Supplemental for Duties	0	0	0
Agency Total	17,228	17,217	11
Governor			
1 Duties	2,003	1,972	31
2 Secretary of Education - Duties	200	150	50
3 Secretary of Veterans Affairs	75	75	0
4 Mansion Expenses	58	58	0
5 Duties	200	49	151
6 Duties	40	40	0
7 Duties - Benefits Pay Raise	20	20	0
11 Carryover from FY-97 Duties	97	97	0
12 Carryover from FY-97 Secretary of Education	10	10	0
Agency Total	2,703	2,471	232
Lieutenant Governor			
1 Duties	361	348	13
2 Duties	5	5	0
3 Duties - Benefits Pay Raise	4	4	0
11 Carryover from FY-97 Duties	126	126	0
12 Carryover from FY-97 Duties	15	15	0
21 Carryover from FY-96/97 Operations	11	11	0
Agency Total	522	509	13

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Office of Personnel Management				
1	Duties	4,816	4,704	112
2	Duties	51	51	0
11	Carryover from FY-97 Duties	236	236	0
12	Carryover from FY-97 Duties	29	29	0
13	Carryover from Compensation Reform	124	124	0
	Agency Total	5,256	5,144	112
Department of Central Services				
1	Manville Asbestos Abatement	977	963	14
1	Duties	7,041	6,554	487
2	Building and Facility Revolving Fund (1)	4,000	4,000	0
3	Veterans Memorial	5	5	0
4	Maintenance of Hissom Center	195	194	1
5	Duties	40	0	40
6	Duties	116	116	0
11	Carryover from FY-97 Duties	511	511	0
11	Carryover from FY-97 Manville and Asbestos	130	130	0
14	Carryover from FY-97 Hissom	33	33	0
15	Carryover from FY-97 Duties	58	58	0
16	Carryover from FY-97 Centennial Commission	25	11	14
	Agency Total	13,131	12,575	556
Secretary of State				
1	Duties	231	229	2
2	Office of Administrative Rules	130	130	0
3	Ballot Titles	10	0	10
4	Duties - Pay Raise Funding	15	15	0
11	Carryover from FY-97 Duties	35	34	1
13	Carryover from FY-97 Administrative Rules	0	0	0
14	Carryover from FY-97 Ballot Titles	4	4	0
	Agency Total	425	412	13
Oklahoma Tax Commission				
6	Duties - Benefits Pay Increase	544	544	0
10	Supplemental - Duties 17 FTE	67	67	0
30	Duties	43,075	42,929	146
32	County Reimbursement Fund (1)	648	648	0
33	Duties	1,762	1,762	0
	Agency Total	46,096	45,950	146

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
State Treasurer			
1 Duties	3,342	3,235	107
1 Payments to Counties (1)	98	98	0
2 Bank Service Charges	958	958	0
3 Duties - Benefits Pay Increase	6	0	6
11 Carryover from FY-97 Duties	58	58	0
12 Carryover from FY-97 Bank Charges	172	172	0
Agency Total	4,634	4,521	113
General Government Total	132,478	127,069	5,409
HEALTH SERVICES			
Department of Health			
1 Duties	31,586	30,596	990
1 Local Health Department Lease Purchase	180	180	0
2 Eldercare (1)	5,254	5,254	0
3 Duties	3,143	3,086	57
4 Margaret Hudson Program	43	43	0
5 Community Health Centers Inc.	173	173	0
6 Southeast Area Health Center	173	173	0
7 Morton Comp Health Services	312	312	0
8 Sickle Cell Research Foundation	104	104	0
9 Emerson Teen Parent Program	135	135	0
10 Alzheimer's Research Advisory Council	55	55	0
11 Tolliver Alternative Care Center Inc.	47	47	0
12 Child Abuse Prevention (1)	1,581	1,581	0
14 Konawa Comm Health Center	150	150	0
15 Dental for the Disabled	150	150	0
16 OUHSC Women/children Health	2,427	2,427	0
17 Carryover from FY-97 Duties	1,117	1,106	11
19 High Risk Perinatal Services	2,502	2,475	27
20 Perinatal Continuing Education Program	210	210	0
21 Perinatal Demonstration Project	64	63	1
22 Child Abuse Prevention (1)	500	500	0
23 Kidney Health Revolving Fund (1)	40	40	0
25 Oklahoma City Indian Clinic	75	75	0
27 Child First (1)	1,150	1,150	0
29 Care for the Children Association	5	0	5
31 Eldercare (1)	723	723	0
32 Sickle Cell Research Foundation	27	27	0
33 Kidney Health Revolving Fund (1)	10	10	0
34 Child First (1)	4,176	4,176	0

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
35	Duties - Pay Raise Funding	623	599	24
36	Carryover from FY-97 Children First	401	399	2
37	Carryover from FY-97 High Risk Perinatal	141	138	3
38	Carryover from FY-97 Perinatal Demo	4	4	0
	Agency Total	57,281	56,161	1,120
Mental Health and Substance Abuse				
1	Duties	115,020	113,442	1,578
2	Duties	2,186	2,038	148
3	Atypical Antipsychotic Medications	1,000	998	2
4	Duties - Pay Raise Funding	1,133	1,132	1
5	Clozapine Medications	152	132	20
5	Duties	3,000	3,000	0
11	Carryover from FY-97 Duties	1,395	1,395	0
12	Carryover from FY-97 Duties	203	203	0
14	Carryover from FY-97 Area Prevention	11	11	0
16	Carryover from FY-97 Clozapine\atypical Med	18	18	0
17	Carryover from FY-97 Clozapine\atypical Med	2	2	0
	Agency Total	124,120	122,371	1,749
Health Services Total		181,401	178,532	2,869
LEGAL AND JUDICIARY				
Indigent Defense System				
1	Duties	7,732	7,695	37
1	Duties (1)	390	390	0
2	Duties	2,917	2,722	195
2	Duties (1)	26	26	0
3	Insurance Premium	40	40	0
11	Carryover - Duties	454	454	0
12	Carryover - Court Appt Atty	406	183	223
13	Carryover - Private Attorneys	471	446	25
14	Carryover from FY- 97 Supplemental Temp Emp	61	61	0
	Agency Total	12,497	12,017	480
Attorney General				
1	Duties	4,086	4,018	68
2	Public Employees Relations Board	40	40	0
3	Duties	1,549	1,254	295
4	Insurance Premium	56	15	41
5	Evidence Fund	150	150	0
11	Duties	211	211	0
13	Carryover from FY-97 Supplemental Duties	311	311	0
	Agency Total	6,403	5,999	404

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Court of Criminal Appeals				
1	Retirement	58	58	0
1	Duties	2,363	2,356	7
2	Duties	65	0	65
3	Insurance Premium	27	0	27
11	Carryover from FY-97 Duties	104	104	0
	Agency Total	2,617	2,518	99
District Courts				
1	98 Supplemental District Courts	1,737	1,737	0
1	Duties	15,075	14,988	87
1	Duties	8,909	8,759	150
2	Duties	1,269	1,269	0
2	Secretary/Secretary Bailiff	1,181	1,063	118
2	Duties	1,351	1,351	0
3	Insurance Premium	1,089	1,089	0
3	Retirement	2,055	1,884	171
5	Supplemental - Duties FY-98	1,200	1,200	0
11	Carryover from FY-97 Duties	216	216	0
11	Carryover from FY-97 Duties	62	61	1
20	Supplemental - District Courts	370	370	0
	Agency Total	34,514	33,987	527
District Attorneys Council				
1	Murrah Bldg bombing Prosecute	650	86	564
1	Duties	25,968	24,857	1,111
1	District Attorney's Evidence Fund (1)	25	25	0
2	Duties	1,200	1,200	0
3	Insurance Premium	262	262	0
3	Witness Fees	380	380	0
11	Carryover from FY-97 Duties	893	870	23
15	Carryover from FY-97 Supplemental Murrah	93	93	0
	Agency Total	29,471	27,773	1,698
Workers Compensation Court				
1	Retirement	104	95	9
1	Duties	3,000	3,000	0
2	Duties	153	153	0
2	Duties	295	295	0
3	Insurance Premium	90	90	0
11	Carryover from FY-97 - Duties	9	9	0
11	Carryover from FY-97 - Duties	10	10	0
13	Carryover from FY-97 - Duties	3	3	0
	Agency Total	3,664	3,655	9

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Supreme Court				
1	Duties	2,881	2,803	78
1	Duties	97	97	0
1	Retirement	248	241	7
2	Computer Equipment	339	264	75
2	Duties	3,112	3,043	69
3	Revolving Fund (1)	900	900	0
3	Staff Salaries	259	259	0
4	Duties	325	325	0
4	Duties	2,600	2,600	0
4	Additional FTE	220	220	0
5	Insurance Premium	123	95	28
11	Carryover from FY-97 Duties	440	440	0
11	Carryover from FY-97 Duties	3	3	0
11	Carryover from FY-97 Supplemental Duties	4	4	0
	Agency Total	11,551	11,294	257
Legal and Judiciary Total		100,717	97,243	3,474
MUSEUMS				
J. M. Davis Memorial Commission				
1	Duties	355	353	2
2	Duties - Pay Raise Funding	3	3	0
	Agency Total	358	356	2
Historical Society				
1	Duties	5,055	4,780	275
2	Duties	250	239	11
3	Grants to Local Historic Sites	712	655	57
4	1921 Tulsa Riot Study	55	0	55
5	Duties - Pay Raise Funding	63	63	0
11	Carryover from FY-97 Duties	81	81	0
12	Carryover from FY-97 Duties	292	292	0
	Agency Total	6,508	6,110	398
Will Rogers Memorial Commission				
1	Duties	663	663	0
2	Duties - Pay Raise Funding	4	4	0
	Agency Total	667	667	0
Museums Total		7,533	7,133	400

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
NATURAL RESOURCES				
Department of Agriculture				
1	Duties	15,156	15,097	59
2	Duties	145	145	0
3	Rural Fire 80/20 Match	612	603	9
3	Duties	1,600	1,600	0
4	98 Supplemental For Water Quality	183	183	0
4	Rural Fire Coordination	45	45	0
5	Regulate Concentrated Animal Feeding	300	227	73
6	Rural Fire Protection Programs	450	448	2
7	Animal Predator Strike Force	100	100	0
8	Rural Fire Defense Equipment Fund (1)	75	75	0
9	Boll Weevil Eradication Program	750	750	0
10	Rural Fire Operational Grants	900	900	0
11	Duties - 4H and FFA Program	50	50	0
11	Carryover from FY-97 Duties	206	206	0
12	Duties - Pay Raise Funding	223	223	0
84	Carryover from FY-97 Rural Fire 80/20	2	2	0
89	Carryover from FY-97 Duties	15	15	0
	Agency Total	20,812	20,669	143
Department of Environmental Quality				
1	Duties	6,451	6,192	259
2	Sludge Treatment Pilot Project	150	0	150
3	Duties - Pay Raise Funding	64	2	62
20	Carryover from FY-97 Duties	375	374	1
	Agency Total	7,040	6,568	472
Department of Tourism and Recreation				
1	Duties	24,331	24,114	217
1	Duties (1)	328	328	0
2	Tourism Infrastructure	588	395	193
3	Land and Water Matching	61	61	0
4	Multi-County Tourism Promotion	250	250	0
5	Welcome Center Operations	98	98	0
6	Film Office	75	74	1
7	Film Office (1)	25	25	0
8	Duties (1)	2	2	0
8	Duties - Pay Raise Funding	379	379	0
11	Carryover from FY-97 Duties	117	77	40
13	Carryover from FY-97 Moving Expenses	2	2	0
14	Carryover from FY-97 Brochures	18	18	0
15	Carryover from FY-97 TRIP	141	141	0
	Agency Total	26,415	25,964	451

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Conservation Commission				
1	Duties	6,011	5,932	79
2	Conservation Districts Operations	258	258	0
3	Water Quality & Animal Waste	50	50	0
4	Duties - Pay Raise Funding	9	9	0
5	Fairfax Dam (1)	100	100	0
5	Duties - District Employee Pay Raise	97	97	0
	Agency Total	6,525	6,446	79
Water Resources Board				
1	Duties	3,523	3,477	46
2	Carryover from FY-97 Duties	159	159	0
6	Duties - Pay Raise Funding	40	40	0
8	Rural Water System Training	100	100	0
21	Weather Modification Program (1)	1,000	1,000	0
24	Carryover from FY-97 Clean Lakes	0	0	0
	Agency Total	4,822	4,776	46
Natural Resources Total		65,614	64,423	1,191
PUBLIC SAFETY AND DEFENSE				
Oklahoma Military Department				
1	Duties	5,216	5,031	185
1	Maintenance	200	200	0
2	Duties	451	445	6
2	Maintenance	353	314	39
3	Fiber Optics	137	135	2
3	Duties - Insurance Premium	62	62	0
4	Maintenance	200	200	0
5	Fiber Optics	60	51	9
11	Carryover from FY-97 Duties	281	280	1
12	Carryover from FY-97 Duties	32	0	32
13	Carryover from FY-97 Adjutant General Conf	11	11	0
14	Carryover from FY-97 Physical Asset Maint	1	1	0
	Agency Total	7,004	6,730	274
Alcoholic Beverage Laws Enforcement				
1	Duties	3,261	3,254	7
2	Duties	261	261	0
3	Insurance Premium	33	33	0
	Agency Total	3,555	3,548	7

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Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
Department of Corrections			
1 Duties	16,750	16,750	0
30 Duties	240,122	237,226	2,896
31 Duties	28,861	28,861	0
32 OCIA Payment	1,500	1,500	0
33 Asbestos Abatement Training	200	197	3
34 Carryover from FY-97 Supplemental Duties	28	28	0
34 Carryover from FY-97 Duties	2,297	2,296	1
34 Insurance Premium	2,177	2,165	12
35 Carryover from FY-97 Duties	2	2	0
35 Carryover from FY-97 Supplemental Beds	1,132	1,132	0
36 Carryover from FY-97 Redesignation Duties	39	39	0
Agency Total	293,108	290,196	2,912
Pardon and Parole Board			
1 Duties	1,568	1,542	26
2 Duties	128	128	0
3 Insurance Premiums	18	18	0
11 Duties	80	75	5
Agency Total	1,794	1,763	31
State Bureau of Investigation			
1 Duties	8,969	8,938	31
2 Insurance Premiums	108	108	0
11 Duties	27	27	0
12 Duties	71	71	0
Agency Total	9,175	9,144	31
Department of Civil Emergency			
1 Duties	572	572	0
2 Insurance Premiums	6	6	0
Agency Total	578	578	0
State Fire Marshal			
1 Duties	969	967	2
2 Duties	311	311	0
3 Insurance Premiums	10	10	0
11 Duties	13	13	0
12 Arson Investigations Operations	4	4	0
Agency Total	1,307	1,305	2

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Board of Medicolegal Investigation				
1	Duties	2,594	2,567	27
2	Duties	579	251	328
4	Insurance Premiums	24	24	0
11	Duties	19	0	19
13	Duties	60	35	25
	Agency Total	3,276	2,877	399
Council on Law Enforcement, Education and Training				
1	Duties	1,465	1,448	17
1	Duties	350	341	9
2	Duties	146	126	20
3	Insurance Premiums	17	15	2
3	Duties	249	245	4
11	Carryover from FY-97 Duties	2	2	0
11	Carryover from FY-97 Duties	20	17	3
	Agency Total	2,249	2,194	55
Bureau of Narcotics and Dangerous Drugs				
1	Duties	4,064	3,791	273
2	Duties	58	3	55
3	Insurance Premiums	42	0	42
11	Carryover from FY-97 Duties	44	0	44
12	Carryover from FY-97 Duties	5	0	5
	Agency Total	4,213	3,794	419
Department of Public Safety				
1	Duties	50,822	49,955	867
1	Duties	450	450	0
2	Duties	1,804	1,709	95
3	Insurance Premiums	555	555	0
13	FY-98 Suppl Capitol Patrol Salaries	97	97	0
23	Motor Vehicles	1,500	1,429	71
24	Aircraft Lease - Purchase	602	569	33
34	Carryover from FY-97- Aircraft	57	57	0
	Agency Total	55,887	54,821	1,066
Public Safety and Defense Total		382,146	376,950	5,196

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
REGULATORY SERVICES			
State Banking Department			
1 Duties	1,393	1,392	1
2 Duties	1,153	1,067	86
3 Duties - Pay Raise Funding	21	21	0
Agency Total	2,567	2,480	87
Department of Mines			
1 Duties	377	359	18
2 Duties - Pay Raise Funding	16	16	0
2 Duties	350	350	0
Agency Total	743	725	18
Corporation Commission			
1 Duties	3,010	2,992	18
2 Operations - Oil and Gas Division	4,025	3,940	85
3 Field Operations - Oil and Gas Division	631	631	0
4 Duties - Pay Raise Funding	193	191	2
10 Duties (2)	2,000	2,000	0
11 Carryover from FY-97 Duties	49	49	0
20 Carryover from FY-97 Duties	4	4	0
Agency Total	9,912	9,807	105
Oklahoma Horse Racing Commission			
1 Duties	1,972	1,899	73
2 Duties	269	224	45
3 Carryover from FY-97 Supplemental	9	0	9
3 Carryover from FY-97 Duties	21	21	0
3 Duties	20	15	5
Agency Total	2,291	2,159	132
Insurance Department			
1 Duties	2,541	2,523	18
2 Duties	53	53	0
11 FY-97 Carryover - Duties	50	50	0
Agency Total	2,644	2,626	18

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Department of Labor				
1	Duties	1,917	1,898	19
1	Duties	1,578	1,560	18
2	Duties	53	53	0
11	Carryover from FY-97 Duties	75	75	0
11	Carryover from FY-97 Duties	199	199	0
12	Carryover from FY-97 Prevailing Wage	135	135	0
	Agency Total	3,957	3,920	37
Liquefied Petroleum Gas Board				
1	Duties	382	329	53
2	Duties - Pay Raise Funding	4	4	0
11	Carryover from FY-97 Duties	63	63	0
	Agency Total	449	396	53
Board of Private Vocational School				
1	Duties	120	120	0
2	Duties	21	18	3
3	Pay Raise	1	0	1
11	Carryover from FY-97 Duties	5	0	5
	Agency Total	147	138	9
Oklahoma Securities Commission				
1	Duties	566	314	252
2	Duties - Pay Raise Funding	13	13	0
11	Carryover from FY-97 Duties	93	93	0
12	Carryover from FY-97 Duties	51	51	0
	Agency Total	723	471	252
Commission on Consumer Credit				
1	Duties	643	634	9
2	Duties	35	35	0
3	Duties - Pay Raise Funding	7	7	0
11	Carryover from FY-97 Duties	82	82	0
	Agency Total	767	758	9
Regulatory Services Total		24,200	23,480	720

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
SOCIAL SERVICES			
Commission on Children and Youth			
10 Duties	1,503	1,440	63
20 Duties	218	195	23
30 Duties - Pay Raise Funding	12	12	0
40 Carryover from FY-97 Operations	67	66	1
41 Carryover from FY-97 Duties	23	23	0
Agency Total	1,823	1,736	87
Office of Handicapped Concerns			
1 Duties	320	299	21
2 Duties - Pay Raise Funding	4	4	0
10 Carryover from FY-97 Duties	16	16	0
20 Carryover from FY-97 Duties	10	10	0
Agency Total	350	329	21
Oklahoma Human Rights Commission			
10 Duties	666	666	0
20 Duties	74	74	0
30 Duties	11	11	0
Agency Total	751	751	0
Oklahoma Indian Affairs Commission			
10 Duties	169	159	10
20 Carryover from FY-97 Duties	4	4	0
20 Duties	33	20	13
30 Duties - Pay Raise Funding	1	1	0
Agency Total	207	184	23
Office of Juvenile Affairs			
1 Duties (2)	1,800	1,800	0
1 Duties (2)	80,920	80,506	414
2 Delinquency and Youth Gang Intervention	1,400	1,363	37
3 Duties (1)	3,314	3,314	0
4 Violent Offender Grant	100	22	78
4 Duties	4,000	2,340	1,660
5 Duties (1)	542	542	0
11 Carryover from FY-97 Duties	510	510	0
12 Carryover from FY-97 Delinquency and Youth	153	153	0
Agency Total	92,739	90,550	2,189

		GENERAL FUND		
		BUDGET	ACTUAL	VARIANCE
Department of Veterans Affairs				
1	Duties	15,909	15,909	0
2	Duties	61	61	0
3	Duties - Pay Raise Funding	655	655	0
21	Duties	2,000	2,000	0
	Agency Total	18,625	18,625	0
Department of Human Services				
1	Duties (1)	287,971	287,971	0
1	Duties (1)	15,005	15,005	0
2	Welfare Reform Initiative (1)	30,000	30,000	0
3	Senior Nutrition Sites (1)	950	950	0
4	Duties (1)	2,302	2,302	0
	Agency Total	336,228	336,228	0
J.D. McCarty Center				
10	Duties	533	533	0
10	Duties	1,002	1,002	0
11	Duties - Pay Raise Funding	52	52	0
	Agency Total	1,587	1,587	0
Department of Rehabilitative Services				
1	Duties (1)	1,500	1,500	0
1	Duties (1)	20,395	20,395	0
2	Duties (1)	696	696	0
3	Duties (1)	183	183	0
	Agency Total	22,774	22,774	0
Health Care Authority				
1	Duties (1)	247,757	247,757	0
1	Duties (1)	11,534	11,534	0
2	Duties (1)	13,000	13,000	0
3	Duties (1)	49	49	0
3	Duties (1)	25,577	25,577	0
8	Duties (1)	15,733	15,733	0
	Agency Total	313,650	313,650	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)
(continued)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE
University Hospitals Authority			
1 Duties	26,576	26,531	45
2 Duties - Pay Raise Funding	570	373	197
11 Carryover from FY-97 Duties	102	102	0
13 Carryover from FY-97 Medi-Flight	131	76	55
14 Carryover from FY-97 Child Study Center	294	123	171
15 Carryover from FY-97 Poison Control	16	0	16
Agency Total	27,689	27,205	484
Social Services Total	816,423	813,619	2,804
TRANSPORTATION			
Department of Transportation			
1 Duties (1)	50,000	50,000	0
1 Duties (1)	28,200	28,200	0
1 Highway Construction and Maintenance (1)	185,122	185,122	0
2 Duties (1)	9,160	9,160	0
2 Highway Construction and Maintenance (1)	100	100	0
2 Highway Construction and Maintenance (1)	3,447	3,447	0
3 Highway Construction and Maintenance (1)	12,999	12,999	0
Agency Total	289,028	289,028	0
Transportation Total	289,028	289,028	0
General Fund Total	$ 3,455,280	$ 3,422,523	$ 32,757

(1) Appropriation was transferred to a continuing fund for expenditure.
(2) Part of the appropriation was transferred to a continuing fund for expenditure.

Combining Financial Statements

To view the divider page featuring the art of Bert Seabourn and his biography, please click here.

Combining Financial Statements

Combining Financial Statements - Trust and Agency Funds

Combining Financial Statements - Trust and Agency Funds

Trust and Agency Funds account for assets the State holds in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, or other funds.

EXPENDABLE TRUST FUND

The Expendable Trust Fund accounts for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the funds' designated operations.

Employment Security Commission accounts for the deposit of monies requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

NONEXPENDABLE TRUST FUNDS

Nonexpendable Trust Funds account for the assets held by the State in a trustee capacity where only income derived from the trust principal may be expended for designated operations. The principal must be preserved intact.

Commissioners of the Land Office accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma.

Department of Wildlife accounts for monies held in trust for the improvement and preservation of wildlife. The monies have been accumulated from the sale of lifetime hunting and fishing licenses.

INVESTMENT TRUST FUND

Investment Trust Funds account for transactions, assets, liabilities, and net assets available for participants in an external investment pool. The pool is administered by the Office of the State Treasurer for other local governments. This includes Federal Farm Credit, county governments, and several school districts.

PENSION TRUST FUNDS

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various state retirement systems. See the Notes to the Financial Statements, Retirement and Pension Systems, for a description of the individual Pension Trust Funds.

AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various monies and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units, organizations, or individuals.

Taxes Held for Outside Entities is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

Funds Held in Escrow are monies held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission as an escrow account for royalties due unlocated owners, (3) Workers' Compensation Claims Under Appeal contains money being held in trust for an injured worker whose claim is on appeal. This fund is maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits is an escrow account being maintained by the Oklahoma Insurance Department for the purpose of depositing protested taxes and/or fees imposed under Oklahoma law, (5) Other monies accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Money held in escrow by the Attorney General's Office for funds received as a result of litigation.

Assets Held for Beneficiaries are monies maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) canteen funds at DOC institutions, (3) DHS custodial parents from the collection from absent parents, (4) DHS clients placed in agency custody, and (5) the inventory maintained for commodities.

Other is monies accounted for (1) by the Employees' Benefit Council for payment of employee claims against SoonerFlex flexible spending accounts, (2) property distribution maintained by the Department of Central Services to account for federal surplus property transferred to the State's custody to be sold or donated to other governmental entities and/or specified nonprofit organizations and property seized by state organizations pending the outcome of legal proceedings, (3) deposits held by the Department of Central Services for bid process documents, (4) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, and (5) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and being returned to the accounts contributors.

Combining Balance Sheet
Trust and Agency Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Expendable Trust - Employment Security Commission	Nonexpendable Trusts	Investment Trust
Assets			
Cash/Cash Equivalents	$ 610,466	$ 41,873	$ 10,675
Investments	0	982,415	0
Securities Lending Investments	0	0	0
Accounts Receivable	2,188	0	0
Interest and Investments Revenue Receivable	0	6,375	45
Employer Contributions Receivable	0	0	0
Employee Contributions Receivable	0	0	0
Other Contributions Receivable	0	0	0
Taxes Receivable	1,834	0	0
Federal Grants Receivable	170	0	0
Other Receivables	0	4,275	0
Due from Brokers	0	0	0
Due from Other Funds	0	66	0
Due from Component Units	0	0	0
Inventory	0	0	0
Fixed Assets, Net	0	0	0
Other Assets	0	8,189	0
Total Assets	$ 614,658	$ 1,043,193	$ 10,720
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Liabilities	$ 152	$ 0	$ 0
Payable Under Securities Lending Agreement	0	0	0
Tax Refunds Payable	0	0	0
Due to Brokers	0	0	0
Due to Other Funds	0	0	0
Due to Component Units	0	0	0
Due to Others	0	0	0
Deferred Revenue	1,375	4,254	0
Compensated Absences	0	0	0
Benefits in the Process of Payment	0	0	0
Other Liabilities	0	0	0
Total Liabilities	1,527	4,254	0
Fund Balances			
Reserved			
Unemployment Benefits	613,131	0	0
Preservation of Wildlife	0	39,199	0
Employees' Pension Benefits	0	0	0
External Investment Pool Participants	0	0	10,720
Permanent Trust	0	886,709	0
Undistributed Revenue	0	113,031	0
Total Fund Balances	613,131	1,038,939	10,720
Total Liabilities and Fund Balances	$ 614,658	$ 1,043,193	$ 10,720

		Total	
Pension Trusts	Agency	1998	1997
$ 543,853	$ 142,049	$ 1,348,916	$ 848,489
12,137,562	0	13,119,977	11,438,792
1,373,153	0	1,373,153	1,109,418
0	37	2,225	2,787
65,044	565	72,029	69,231
15,185	0	15,185	13,215
11,001	0	11,001	14,917
724	0	724	1,091
0	22	1,856	3,507
0	0	170	213
157	0	4,432	4,273
64,630	0	64,630	12,873
12,511	511	13,088	13,374
376	199	575	771
0	3,808	3,808	4,285
1,015	0	1,015	1,642
16	0	8,205	8,453
$ 14,225,227	$ 147,191	$ 16,040,989	$ 13,547,331
$ 2,966	$ 815	$ 3,933	$ 2,286
1,373,153	0	1,373,153	1,109,418
0	3,379	3,379	3,329
107,394	0	107,394	66,415
0	0	0	3
0	0	0	14
0	142,997	142,997	137,960
0	0	5,629	6,674
186	0	186	189
77,034	0	77,034	57,075
2,558	0	2,558	0
1,563,291	147,191	1,716,263	1,383,363
0	0	613,131	593,969
0	0	39,199	36,177
12,661,936	0	12,661,936	10,627,533
0	0	10,720	10,645
0	0	886,709	822,690
0	0	113,031	72,954
12,661,936	0	14,324,726	12,163,968
$ 14,225,227	$ 147,191	$ 16,040,989	$ 13,547,331

Combining Balance Sheet
Nonexpendable Trust Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Commissioners of the Land Office	Department of Wildlife	Total 1998	Total 1997
Assets				
Cash/Cash Equivalents	$ 40,923	$ 950	$ 41,873	$ 18,863
Investments	944,239	38,176	982,415	897,438
Interest and Investment Receivable	6,375	0	6,375	7,118
Other Receivables	4,275	0	4,275	4,165
Due from Other Funds	0	66	66	46
Other Assets	8,182	7	8,189	8,438
Total Assets	$ 1,003,994	$ 39,199	$ 1,043,193	$ 936,068
Liabilities and Fund Balances				
Liabilities				
Deferred Revenue	$ 4,254	$ 0	$ 4,254	$ 4,247
Total Liabilities	4,254	0	4,254	4,247
Fund Balances				
Reserved				
Preservation of Wildlife	0	39,199	39,199	36,177
Permanent Trust	886,709	0	886,709	822,690
Undistributed Revenue	113,031	0	113,031	72,954
Total Fund Balances	999,740	39,199	1,038,939	931,821
Total Liabilities and Fund Balances	$ 1,003,994	$ 39,199	$ 1,043,193	$ 936,068

Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Commissioners of the Land Office	Department of Wildlife	Total 1998	Total 1997
Operating Revenues				
Licenses, Permits and Fees	$ 0	$ 1,757	$ 1,757	$ 1,518
Sales and Services	0	74	74	74
Interest and Investment Revenue	150,150	3,263	153,413	122,926
Rental Revenue	8,764	0	8,764	9,661
Sales of Land and Easements	4,849	0	4,849	18,150
Other	1	0	1	2
Total Operating Revenues	163,764	5,094	168,858	152,331
Operating Expenses				
Administrative Expense	2,779	0	2,779	2,307
Benefit Payments and Refunds	39,826	0	39,826	36,146
Total Operating Expenses	42,605	0	42,605	38,453
Income Before Operating Transfers	121,159	5,094	126,253	113,878
Operating Transfers Out	(2,892)	(2,072)	(4,964)	(7,021)
Operating Transfers To Component Units	(14,171)	0	(14,171)	(12,952)
Net Income	104,096	3,022	107,118	93,905
Fund Balances - Beginning of Year (as restated)	895,644	36,177	931,821	837,916
Fund Balances - End of Year	$ 999,740	$ 39,199	$ 1,038,939	$ 931,821

Combining Statement of Cash Flows
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Commissioners of the Land Office	Department of Wildlife	Total 1998	Total 1997
Cash Flows from Operating Activities				
Operating Income	$ 121,159	$ 5,094	$ 126,253	$ 113,878
Adjustments to Reconcile Operating Income to Net Cash Provided by Operations				
Amortization (Accretion) and Other Noncash Expenses	72	0	72	9,921
Reclassification of Investment Income	(144,520)	(2,745)	(147,265)	(78,142)
Net Appreciation in Fair Value of Investments	(42,241)	(520)	(42,761)	(55,800)
Decrease (Increase) in Assets				
Interfund Receivable	0	(20)	(20)	(10)
Increase (Decrease) in Liabilities				
Deferred Revenue	7	0	7	(54)
Net Cash Provided (Used) by Operating Activities	(65,523)	1,809	(63,714)	(10,207)
Cash Flows from Noncapital Financing Activities				
Operating Transfers Out	(2,892)	(2,072)	(4,964)	(7,021)
Operating Transfers to Component Units	(14,171)	0	(14,171)	(12,952)
Net Cash (Used) by Noncapital Financing Activities	(17,063)	(2,072)	(19,135)	(19,973)
Cash Flows from Investing Activities				
Interest and Investment Revenue	108,236	2,745	110,981	69,144
Proceeds from Sale/Maturities of Investments	482,049	0	482,049	246,719
Principal Received from Notes Receivable	306	0	306	649
Payments to Purchase Investments	(485,116)	(2,361)	(487,477)	(462,860)
Net Cash Provided (Used) by Investing Activities	105,475	384	105,859	(146,348)
Net Increase (Decrease) in Cash/Cash Equivalents	22,889	121	23,010	(176,528)
Cash/Cash Equivalents - Beginning of Year	18,034	829	18,863	195,391
Cash/Cash Equivalents - End of Year	$ 40,923	$ 950	$ 41,873	$ 18,863

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Combining Statement of Plan Net Assets
Pension Trust Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System
Assets			
Cash/Cash Equivalents	$ 53,265	$ 19,809	$ 111,834
Investments	1,196,650	442,245	4,313,341
Securities Lending Investments	135,916	77,138	525,290
Interest and Investment Revenue Receivable	3,508	1,825	27,705
Employer Contributions Receivable	699	0	1,791
Employee Contributions Receivable	369	0	578
Other Contributions Receivable	0	0	0
Other Receivables	150	0	0
Due from Broker	13,492	1,404	9,971
Due from Other Funds	877	1,593	115
Due from Component Units	0	0	267
Fixed Assets, Net	54	0	460
Other Assets	0	0	16
Total Assets	1,404,980	544,014	4,991,368
Liabilities			
Accounts Payable	923	749	0
Secuties Lending Payable	135,916	77,138	525,290
Due to Broker	30,248	0	16,410
Compensated Absences	58	0	0
Benefits in the Process of Payment	36	9,288	0
Other Liabilities	0	0	0
Total Liabilities	167,181	87,175	541,700
Fund Balance Reserved for Employees' Pension Benefits	$ 1,237,799	$ 456,839	$ 4,449,668

Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Wildlife Conservation Retirement Plan	Total	
				1998	1997
$ 3,822	$ 193,518	$ 161,605	$ 0	$ 543,853	$ 93,160
150,474	928,330	5,050,362	56,160	12,137,562	10,541,354
21,887	45,751	567,171	0	1,373,153	1,109,418
984	4,053	26,969	0	65,044	61,583
0	657	12,038	0	15,185	13,215
0	353	9,701	0	11,001	14,917
0	0	724	0	724	1,091
7	0	0	0	157	108
283	0	39,480	0	64,630	12,873
0	361	9,538	27	12,511	12,869
0	0	109	0	376	342
0	0	501	0	1,015	1,642
0	0	0	0	16	15
177,457	1,173,023	5,878,198	56,187	14,225,227	11,862,587
0	1,294	0	0	2,966	1,957
21,887	45,751	567,171	0	1,373,153	1,109,418
420	512	59,804	0	107,394	66,415
0	0	128	0	186	189
0	30,821	36,889	0	77,034	57,075
0	0	2,558	0	2,558	0
22,307	78,378	666,550	0	1,563,291	1,235,054
$ 155,150	$ 1,094,645	$ 5,211,648	$ 56,187	$ 12,661,936	$ 10,627,533

Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System
Additions			
Contributions			
Employer Contributions	$ 18,837	$ 3,661	$ 143,699
Employee Contributions	9,687	2,544	40,734
Other Contributions	40,882	14,345	0
Total Contributions	69,406	20,550	184,433
Investment Income			
Net Appreciation in Fair Value of Investments	177,065	55,891	574,285
Interest and Investment Revenue	30,116	19,647	138,784
	207,181	75,538	713,069
Less Investment Expenses	11,564	6,975	23,408
Net Investment Income	195,617	68,563	689,661
Other Revenue	0	0	0
Total Additions	265,023	89,113	874,094
Deductions			
Administrative and General Expenses	762	349	3,279
Benefit Payments and Refunds	68,816	21,195	188,729
Total Deductions	69,578	21,544	192,008
Net Increase	195,445	67,569	682,086
Fund Balance Reserved for Employees' Pension Benefits			
Beginning of Year	1,042,354	389,270	3,767,582
End of Year	$ 1,237,799	$ 456,839	$ 4,449,668

Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Wildlife Conservation Retirement Plan	Total	
				1998	1997
$ 2,878	$ 18,253	$ 120,164	$ 1,500	$ 308,992	$ 295,020
1,307	10,008	157,028	326	221,634	230,871
0	17,177	176,094	0	248,498	230,192
4,185	45,438	453,286	1,826	779,124	756,083
21,069	133,108	780,015	6,349	1,747,782	1,393,082
4,815	39,707	162,122	1,200	396,391	375,512
25,884	172,815	942,137	7,549	2,144,173	1,768,594
1,178	10,499	11,176	0	64,800	59,033
24,706	162,316	930,961	7,549	2,079,373	1,709,561
0	0	1,700	0	1,700	197
28,891	207,754	1,385,947	9,375	2,860,197	2,465,841
85	1,078	3,268	416	9,237	6,738
4,004	51,294	480,546	1,973	816,557	766,148
4,089	52,372	483,814	2,389	825,794	772,886
24,802	155,382	902,133	6,986	2,034,403	1,692,955
130,348	939,263	4,309,515	49,201	10,627,533	8,934,578
$ 155,150	$ 1,094,645	$ 5,211,648	$ 56,187	$ 12,661,936	$ 10,627,533

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow
Assets		
Cash/Cash Equivalents	$ 109,698	$ 6,072
Accounts Receivable	2	0
Interest Receivable	531	16
Taxes Receivable	22	0
Due from Other Funds	0	0
Due from Component Units	0	0
Inventory	0	0
Total Assets	$ 110,253	$ 6,088
Liabilities		
Accounts Payable and Accrued Liabilities	$ 0	$ 60
Tax Refunds Payable	3,379	0
Due to Other Funds	0	0
Due to Component Units	0	0
Due to Others	106,874	6,028
Total Liabilities	$ 110,253	$ 6,088

Assets Held For Beneficiaries	Other	Total	
		1998	1997
$ 16,444	$ 9,835	$ 142,049	$ 135,426
15	20	37	64
18	0	565	485
0	0	22	271
0	511	511	459
0	199	199	429
426	3,382	3,808	4,285
$ 16,903	$ 13,947	$ 147,191	$ 141,419
$ 755	$ 0	$ 815	$ 149
0	0	3,379	3,293
0	0	0	3
0	0	0	14
16,148	13,947	142,997	137,960
$ 16,903	$ 13,947	$ 147,191	$ 141,419

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 1998
(expressed in thousands)

	Balance June 30, 1997	Additions	Deletions	Balance June 30, 1998
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	$ 100,648	$ 1,517,239	$ 1,508,189	$ 109,698
Accounts Receivable	26	2	26	2
Interest Receivable	469	531	469	531
Taxes Receivable	271	22	271	22
Total Assets	$ 101,414	$ 1,517,794	$ 1,508,955	$ 110,253
Liabilities				
Accounts Payable and Accrued Liabilities	$ 2	$ 0	$ 2	$ 0
Tax Refunds Payable	3,293	3,379	3,293	3,379
Due to Others	98,119	1,514,415	1,505,660	106,874
Total Liabilities	$ 101,414	$ 1,517,794	$ 1,508,955	$ 110,253
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	$ 7,079	$ 2,898	$ 3,905	$ 6,072
Accounts Receivable	14	0	14	0
Interest Receivable	10	16	10	16
Total Assets	$ 7,103	$ 2,914	$ 3,929	$ 6,088
Liabilities				
Accounts Payable and Accrued Liabilities	$ 146	$ 60	$ 146	$ 60
Due to Others	6,957	2,854	3,783	6,028
Total Liabilities	$ 7,103	$ 2,914	$ 3,929	$ 6,088
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	$ 13,853	$ 144,688	$ 142,097	$ 16,444
Accounts Receivable	12	15	12	15
Interest Receivable	6	18	6	18
Inventory	915	426	915	426
Total Assets	$ 14,786	$ 145,147	$ 143,030	$ 16,903
Liabilities				
Accounts Payable and Accrued Liabilities	$ 1	$ 755	$ 1	$ 755
Due to Other Funds	3	0	3	0
Due to Others	14,782	144,392	143,026	16,148
Total Liabilities	$ 14,786	$ 145,147	$ 143,030	$ 16,903

	Balance June 30, 1997	Additions	Deletions	Balance June 30, 1998
Other				
Assets				
Cash/Cash Equivalents	$ 13,846	$ 121,153	$ 125,164	$ 9,835
Accounts Receivable	12	20	12	20
Due from Other Funds	459	511	459	511
Due from Component Units	429	199	429	199
Inventory	3,370	3,382	3,370	3,382
Total Assets	$ 18,116	$ 125,265	$ 129,434	$ 13,947
Liabilities				
Due to Component Units	$ 14	$ 0	$ 14	$ 0
Due to Others	18,102	125,265	129,420	13,947
Total Liabilities	$ 18,116	$ 125,265	$ 129,434	$ 13,947
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	$ 135,426	$ 1,785,978	$ 1,779,355	$ 142,049
Accounts Receivable	64	37	64	37
Interest Receivable	485	565	485	565
Taxes Receivable	271	22	271	22
Due from Other Funds	459	511	459	511
Due from Component Units	429	199	429	199
Inventory	4,285	3,808	4,285	3,808
Total Assets	$ 141,419	$ 1,791,120	$ 1,785,348	$ 147,191
Liabilities				
Accounts Payable and Accrued Liabilities	$ 149	$ 815	$ 149	$ 815
Tax Refunds Payable	3,293	3,379	3,293	3,379
Due to Other Funds	3	0	3	0
Due to Component Units	14	0	14	0
Due to Others	137,960	1,786,926	1,781,889	142,997
Total Liabilities	$ 141,419	$ 1,791,120	$ 1,785,348	$ 147,191

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Combining Financial Statements - Component Units

Combining Financial Statements - Component Units

GOVERNMENTAL COMPONENT UNIT

SPECIAL INDEMNITY FUND

P.O. Box 528801, Oklahoma City, Oklahoma 73152

The Special Indemnity Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

PROPRIETARY COMPONENT UNITS

Proprietary component units include the entities listed below. A brief description of these entities is included in the Combining Financial Statements-Component Units-Proprietary Funds section of this report.

Oklahoma Industrial Finance Authority
Health Insurance High Risk Pool
State Insurance Fund
State and Education Employees Group Insurance Board
Oklahoma Student Loan Authority
University Hospitals Authority
Medical Technology and Research Authority
Oklahoma Development Finance Authority
Oklahoma Environmental Finance Authority
Oklahoma Housing Finance Agency
Oklahoma Turnpike Authority
Grand River Dam Authority
Oklahoma Municipal Power Authority

HIGHER EDUCATION COMPONENT UNIT

The Higher Education Component Unit includes the entities listed below. A brief description of these entities is included in the Combining Financial Statements-Component Unit-Higher Education Funds section of this report.

University of Oklahoma
Oklahoma State University
University of Central Oklahoma
East Central University
Northeastern State University
Northwestern Oklahoma State University
Southeastern Oklahoma State University
Southwestern Oklahoma State University
Cameron University
Langston University
Oklahoma Panhandle State University
Rogers University
University of Science and Arts of Oklahoma
Carl Albert Junior College
Connors State College
Eastern Oklahoma State College
Redlands Community College
Murray State College
Northeastern Oklahoma A&M College
Northern Oklahoma College
Oklahoma City Community College
Rose State College
Seminole State College
Tulsa Community College
Western Oklahoma State College
Board of Regents of Oklahoma Colleges
Oklahoma State Regents for Higher Education
Ardmore Higher Education Program
McCurtain County Higher Education Program
Rose State College Technical Area Education District
South Oklahoma City Area School District
Tulsa Community College Area School District

Combining Balance Sheet
Component Units
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Governmental			Total	
	Special Indemnity Fund	Proprietary	Higher Education	1998	1997
Assets and Other Debits					
Assets					
Cash/Cash Equivalents	$ 536	$ 168,009	$ 357,342	$ 525,887	$ 535,205
Investments	0	1,476,800	395,907	1,872,707	1,893,642
Securities Lending Investments	0	185,240	0	185,240	247,988
Accounts Receivable	0	60,679	113,620	174,299	198,744
Interest and Investment Revenue Receivable	0	21,343	4,507	25,850	23,604
Federal Grants Receivable	0	0	1,955	1,955	2,423
Lease Payments Receivable	0	38,258	0	38,258	39,689
Other Receivables	0	20,871	0	20,871	218
Notes and Loans Receivable	0	696,942	43,364	740,306	691,578
Due from Other Funds	0	0	83,271	83,271	77,112
Due from Component Units	0	2,130	234	2,364	6,933
Due from Primary Government	1,753	4,767	5,139	11,659	8,447
Inventory	0	30,406	17,735	48,141	60,076
Prepaid Items	0	694	10,783	11,477	10,475
Fixed Assets, Net	0	1,346,758	1,979,130	3,325,888	3,244,523
Other Assets	0	310,410	833	311,243	324,938
Other Debits					
Amount to Be Provided For Claims and Judgments	151,321	0	0	151,321	143,357
Total Assets and Other Debits	$ 153,610	$ 4,363,307	$ 3,013,820	$ 7,530,737	$ 7,508,952

	Governmental			Total	
	Special Indemnity Fund	Proprietary	Higher Education	1998	1997
Liabilities, Fund Equity and Other Credits					
Liabilities					
Accounts Payable and Accrued Liabilities	$ 58	$ 36,435	$ 78,316	$ 114,809	$ 138,065
Payable Under Securities Lending Agreement	0	185,240	0	185,240	247,988
Claims and Judgments	171,651	579,575	0	751,226	850,567
Interest Payable	3,696	43,311	2,668	49,675	49,955
Due to Other Funds	0	0	83,271	83,271	78,272
Due to Component Units	72	873	1,431	2,376	4,937
Due to Primary Government	0	46,426	246	46,672	44,296
Due to Others	0	0	22,198	22,198	18,567
Deferred Revenue	0	32,826	76,065	108,891	138,752
Capital Leases	0	1,336	16,852	18,188	24,212
Compensated Absences	0	4,996	43,815	48,811	50,473
Notes Payable	0	41,209	10,716	51,925	55,209
General Obligation Bonds	0	68,823	4,740	73,563	68,498
Revenue Bonds	0	2,587,667	174,444	2,762,111	2,800,229
Other Liabilities	0	38,267	23,048	61,315	58,165
Total Liabilities	175,477	3,666,984	537,810	4,380,271	4,628,185
Fund Equity and Other Credits					
Investment in General Fixed Assets	0	0	1,786,731	1,786,731	1,693,942
Retained Earnings					
Reserved					
Debt Service	0	17,896	0	17,896	15,711
Unreserved	0	630,693	0	630,693	533,834
Net Unrealized Gain on Securities	0	47,734	0	47,734	29,222
Fund Balances					
Unreserved					
Designated					
Other Special Purposes	0	0	689,279	689,279	629,364
Undesignated	(21,867)	0	0	(21,867)	(21,306)
Total Fund Equity and Other Credits	(21,867)	696,323	2,476,010	3,150,466	2,880,767
Total Liabilities, Fund Equity and Other Credits	$ 153,610	$ 4,363,307	$ 3,013,820	$ 7,530,737	$ 7,508,952

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Combining Financial Statements Component Units - Proprietary Funds

Combining Financial Statements
- Component Units
- Proprietary Funds

The State of Oklahoma has thirteen proprietary component units which are described below:

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY

301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

The Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

HEALTH INSURANCE HIGH RISK POOL

3814 N. Santa Fe, Oklahoma City, Oklahoma 73118

The Pool provides health insurance to individuals who are unable to obtain coverage from independent insurers. The Pool is financed by assessments levied on independent insurers.

STATE INSURANCE FUND

P.O. Box 53505, Oklahoma City, Oklahoma 73152

The Fund provides a source for workers' compensation insurance for all employers within the State including state agencies and other governmental units. The Fund is financed through employer premiums.

STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

3545 N.W. 58th Street, Suite 1000, Oklahoma City, Oklahoma 73112

The Board provides varying coverages of group health, dental, life, and disability benefits to active employees and retirees of the State, local governments, and education entities as well as certain other eligible participants. The Board is financed through employer and employee premiums.

OKLAHOMA STUDENT LOAN AUTHORITY

4545 N. Lincoln Blvd., Suite 66, Oklahoma City, Oklahoma 73105

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

MEDICAL TECHNOLOGY AND RESEARCH AUTHORITY

1100 N. Lindsey, SCB 148, Oklahoma City, Oklahoma 73104

The Medical Technology and Research Authority promotes and assists the development of medical technology and research benefiting the citizens of Oklahoma.

UNIVERSITY HOSPITALS AUTHORITY

940 N.E. 13th Street, Oklahoma City, Oklahoma 73104

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

The Authority provides financing for both public and private entities in the State. The Authority obtains funds through the issuance of bonds and notes.

OKLAHOMA ENVIRONMENTAL FINANCE AUTHORITY

2809 N.W. Expressway, Suite 485, Oklahoma City, Oklahoma 73112

The Authority provides financing necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes.

OKLAHOMA HOUSING FINANCE AGENCY

1140 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116

The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

OKLAHOMA TURNPIKE AUTHORITY

P.O. Box 11357, Oklahoma City, Oklahoma 73136

The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

The Authority provides a means for the municipal electric systems in the State to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

Combining Balance Sheet
Component Units - Proprietary Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	State Insurance Fund	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Assets						
Current Assets						
Cash/Cash Equivalents	$ 96	$ 555	$ 931	$ 2,626	$ 509	$ 22,330
Investments	10,567	0	703,184	167,538	31,132	38
Securities Lending Investments	0	0	185,240	0	0	0
Accounts Receivable	0	0	21,536	7,525	0	2,334
Interest and Investment Revenue Receivable	1,146	0	7,300	1,353	5,285	92
Federal Grants Receivable	0	0	0	0	0	0
Other Receivables	0	0	0	871	0	20,000
Notes Receivable	2,711	0	0	0	0	0
Due from Component Units	0	0	140	0	0	1,338
Due from Primary Government	0	0	959	3,699	0	0
Inventory	0	0	0	0	0	0
Prepaid Items	0	0	0	0	0	16
Other Current Assets	0	0	1,476	0	0	0
Total Current Assets	14,520	555	920,766	183,612	36,926	46,148
Restricted Assets						
Cash/Cash Equivalents	84	0	0	0	0	18,256
Investments	107	0	0	0	0	330
Other Restricted Assets	1	0	0	0	0	1,607
Total Restricted Assets	192	0	0	0	0	20,193
Other Assets						
Fixed Assets, Net	49	0	8,760	633	427	102,259
Long-Term Notes Receivable, Net	22,888	0	0	0	184,207	0
Long-Term Investments	32,642	0	0	0	0	0
Lease Payments Receivable	0	0	0	0	0	0
Other Noncurrent Assets	1,178	0	0	69	1,297	0
Total Other Assets	56,757	0	8,760	702	185,931	102,259
Total Assets	$ 71,469	$ 555	$ 929,526	$ 184,314	$ 222,857	$ 168,600

Medical Technology and Research Authority	Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Total	
							1998	1997
$ 588	$ 1,659	$ 0	$ 29,872	$ 13,773	$ 11,167	$ 2,246	$ 86,352	$ 84,579
0	8,718	0	29,046	66,009	48,286	5,465	1,069,983	1,161,991
0	0	0	0	0	0	0	185,240	247,988
71	136	0	883	1,030	20,513	6,651	60,679	103,441
0	129	0	3,585	590	1,863	0	21,343	20,895
0	0	0	0	0	0	0	0	1,008
0	0	0	0	0	0	0	20,871	218
0	0	0	0	0	0	0	2,711	1,827
123	15	0	0	0	514	0	2,130	2,336
2	52	0	0	27	28	0	4,767	1,649
0	0	0	0	2,003	27,304	1,099	30,406	39,989
3	0	0	62	100	513	0	694	805
0	0	0	0	0	0	135	1,611	1,555
787	10,709	0	63,448	83,532	110,188	15,596	1,486,787	1,668,281
0	0	146	0	36,371	0	26,800	81,657	63,849
0	0	46	0	107,596	184,878	37,365	330,322	335,690
0	0	0	0	1,435	0	0	3,043	3,819
0	0	192	0	145,402	184,878	64,165	415,022	403,358
3,771	39	0	468	552,534	524,870	152,948	1,346,758	1,374,177
0	2,773	0	484,363	0	0	0	694,231	647,239
0	3,214	0	9,188	0	0	31,451	76,495	66,314
0	0	37,749	0	0	0	509	38,258	39,689
0	75	0	589	8,697	142,365	151,486	305,756	316,225
3,771	6,101	37,749	494,608	561,231	667,235	336,394	2,461,498	2,443,644
$ 4,558	$ 16,810	$ 37,941	$ 558,056	$ 790,165	$ 962,301	$ 416,155	$ 4,363,307	$ 4,515,283

(continued)

Combining Balance Sheet
Component Units - Proprietary Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

(continued)	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	State Insurance Fund	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Liabilities and Fund Equity						
Liabilities						
Current Liabilities						
Accounts Payable and Accrued Liabilities	$ 8	$ 0	$ 3,949	$ 11,538	$ 140	$ 2,461
Payable Under Securities Lending Agreement	0	0	185,240	0	0	0
Claims and Judgments	0	0	518,309	60,415	0	851
Interest Payable	992	0	0	0	1,700	0
Due to Component Units	0	0	132	53	27	3
Due to Primary Government	0	0	45	31	0	74
Deferred Revenue	156	0	24,126	0	0	10
Capital Leases	0	0	0	0	0	0
Compensated Absences	64	0	946	548	75	22
Notes Payable	0	0	0	0	0	0
General Obligation Bonds	631	0	0	0	0	0
Revenue Bonds	0	0	0	0	4,865	0
Other Current Liabilities	0	0	0	0	531	0
Total Current Liabilities	1,851	0	732,747	72,585	7,338	3,421
Other Liabilities						
Due to Primary Government	0	0	0	0	0	0
Capital Leases	0	0	0	0	0	0
Notes Payable	0	0	0	0	37,360	0
General Obligation Bonds	68,192	0	0	0	0	0
Revenue Bonds	0	0	0	0	136,805	0
Other Noncurrent Liabilities	49	0	0	0	0	286
Total Other Liabilities	68,241	0	0	0	174,165	286
Total Liabilities	70,092	0	732,747	72,585	181,503	3,707
Fund Equity						
Retained Earnings						
Reserved						
Debt Service	0	0	0	0	0	0
Unreserved	1,377	555	150,100	111,729	41,354	164,893
Total Retained Earnings	1,377	555	150,100	111,729	41,354	164,893
Net Unrealized Gain on Securities	0	0	46,679	0	0	0
Total Fund Equity	1,377	555	196,779	111,729	41,354	164,893
Total Liabilities and Fund Equity	$ 71,469	$ 555	$ 929,526	$ 184,314	$ 222,857	$ 168,600

Medical Technology and Research Authority	Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Total	
							1998	1997
$ 123	$ 9	$ 119	$ 1,103	$ 170	$ 9,160	$ 7,655	$ 36,435	$ 61,725
0	0	0	0	0	0	0	185,240	247,988
0	0	0	0	0	0	0	579,575	687,589
0	0	212	5,785	19,509	4,554	10,559	43,311	44,324
33	0	0	0	44	67	514	873	1,645
11	0	0	7	2,868	443	20	3,499	1,874
0	24	0	0	8,510	0	0	32,826	47,793
0	0	0	0	0	1,336	0	1,336	2,466
40	0	0	313	981	1,887	120	4,996	10,965
217	0	0	0	0	0	0	217	153
0	0	0	0	0	0	0	631	400
0	0	2,975	17,200	12,630	40,985	7,360	86,015	67,680
0	0	0	0	1,768	0	0	2,299	1,668
424	33	3,306	24,408	46,480	58,432	26,228	977,253	1,176,270
0	0	0	0	42,927	0	0	42,927	42,150
0	0	0	0	0	0	0	0	3,291
3,632	0	0	0	0	0	0	40,992	44,145
0	0	0	0	0	0	0	68,192	61,673
0	9,999	34,563	497,777	606,340	851,360	364,808	2,501,652	2,567,482
0	3,566	0	2,527	0	19,290	10,250	35,968	41,505
3,632	13,565	34,563	500,304	649,267	870,650	375,058	2,689,731	2,760,246
4,056	13,598	37,869	524,712	695,747	929,082	401,286	3,666,984	3,936,516
0	0	0	17,896	0	0	0	17,896	15,711
502	3,212	72	15,448	94,418	32,164	14,869	630,693	533,834
502	3,212	72	33,344	94,418	32,164	14,869	648,589	549,545
0	0	0	0	0	1,055	0	47,734	29,222
502	3,212	72	33,344	94,418	33,219	14,869	696,323	578,767
$ 4,558	$ 16,810	$ 37,941	$ 558,056	$ 790,165	$ 962,301	$ 416,155	$ 4,363,307	$ 4,515,283

Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	State Insurance Fund	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Operating Revenues						
Sales and Services	$ 0	$ 3,485	$ 136,433	$ 280,050	$ 0	$ 101,909
Interest Revenue	4,935	0	0	0	14,245	0
Other	84	0	20	0	0	7,250
Total Operating Revenues	5,019	3,485	136,453	280,050	14,245	109,159
Operating Expenses						
Operations and Maintenance of Facilities	34	0	0	0	0	148,467
Losses and Loss Expense	6	0	128,925	0	0	0
Administrative and General	620	194	19,286	19,808	2,806	0
Interest Expense	3,979	0	0	0	8,869	0
Depreciation Expense	18	0	2,031	187	630	12,223
Benefit Payments and Refunds	0	2,877	0	272,180	0	0
Total Operating Expenses	4,657	3,071	150,242	292,175	12,305	160,690
Operating Income (Loss)	362	414	(13,789)	(12,125)	1,940	(51,531)
Nonoperating Revenues (Expenses)						
Interest and Investment Revenue	26	33	79,130	22,104	2,561	730
Other Nonoperating Revenues	0	0	0	0	0	20,470
Interest Expense	0	0	0	0	0	0
Amortization of Losses and Discounts	0	0	0	0	0	0
Other Nonoperating Expenses	(142)	0	(12,149)	(993)	0	0
Total Nonoperating Revenues (Expenses)	(116)	33	66,981	21,111	2,561	21,200
Income (Loss) Before Operating Transfers	246	447	53,192	8,986	4,501	(30,331)
Operating Transfers:						
From Primary Government	0	0	0	0	0	27,147
To Primary Government	0	0	0	0	0	0
Costs to be Recovered from Future Revenues	0	0	0	0	0	0
Net Income (Loss)	246	447	53,192	8,986	4,501	(3,184)
Retained Earnings - Beginning of Year (as restated)	1,131	108	96,908	102,743	36,853	168,077
Retained Earnings - End of Year	$ 1,377	$ 555	$ 150,100	$ 111,729	$ 41,354	$ 164,893

Medical Technology and Research Authority	Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Total	
							1998	1997
$ 2,737	$ 546	$ 2,440	$ 0	$ 118,325	$ 177,145	$ 82,368	$ 905,438	$ 980,909
0	0	152	38,888	0	0	0	58,220	55,621
0	51	13	5,754	0	411	0	13,583	13,571
2,737	597	2,605	44,642	118,325	177,556	82,368	977,241	1,050,101
2,344	0	0	3,534	29,931	78,250	57,264	319,824	300,585
0	0	0	0	0	0	0	128,931	181,803
43	480	17	4,929	2,782	10,796	4,040	65,801	111,773
0	592	2,592	37,906	0	0	0	53,938	54,129
179	31	0	150	31,044	26,019	6,386	78,898	80,044
0	0	0	0	0	0	0	275,057	298,040
2,566	1,103	2,609	46,519	63,757	115,065	67,690	922,449	1,026,374
171	(506)	(4)	(1,877)	54,568	62,491	14,678	54,792	23,727
0	825	2	4,411	12,164	15,088	5,759	142,833	140,426
0	0	0	0	790	260	0	21,520	1,388
0	0	0	0	(41,425)	(55,682)	(20,157)	(117,264)	(118,393)
0	0	0	0	0	(13,789)	(3,650)	(17,439)	(17,645)
(77)	0	0	0	0	0	(85)	(13,446)	(13,890)
(77)	825	2	4,411	(28,471)	(54,123)	(18,133)	16,204	(8,114)
94	319	(2)	2,534	26,097	8,368	(3,455)	70,996	15,613
0	0	0	0	30,274	0	0	57,421	58,163
0	0	0	0	(30,274)	0	0	(30,274)	(60,303)
0	0	0	0	0	(3,402)	4,303	901	6,630
94	319	(2)	2,534	26,097	4,966	848	99,044	20,103
408	2,893	74	30,810	68,321	27,198	14,021	549,545	529,442
$ 502	$ 3,212	$ 72	$ 33,344	$ 94,418	$ 32,164	$ 14,869	$ 648,589	$ 549,545

Combining Statement of Cash Flows
Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	State Insurance Fund	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Cash Flows from Operating Activities						
Operating Income (Loss)	$ 362	$ 414	$ (13,789)	$ (12,125)	$ 1,940	$ (51,531)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	18	0	2,031	187	630	12,223
Amortization (Accretion) and Other Noncash Expenses	(65)	0	5,507	0	0	0
Other	0	0	0	0	0	(330)
Decrease (Increase) in Assets						
Accounts Receivable	35	0	6,488	2,431	0	8,100
Interest and Investment Revenue Receivable	(651)	0	720	0	(1,198)	(92)
Interfund Receivable	0	0	0	0	0	0
Inventory	0	0	0	0	0	(1,253)
Prepaid Items	0	0	0	0	0	0
Long-Term Notes Receivable	0	0	0	0	(33,033)	0
Other Current Assets	0	0	19	0	0	0
Other Noncurrent Assets	0	0	0	65	0	0
Increase (Decrease) in Liabilities						
Accounts Payable and Accrued Liabilities	6	0	(2,344)	451	(146)	(11,207)
Claims and Judgments	0	0	(73,676)	(35,190)	0	369
Interest Payable	74	0	0	0	(178)	0
Deferred Revenue	0	0	(15,911)	0	0	10
Other Current Liabilities	(28)	0	0	0	261	0
Due to Primary Government	0	0	0	0	0	0
Other Noncurrent Liabilities	0	0	0	0	0	0
Net Cash Provided (Used) by Operating Activities	(249)	414	(90,955)	(44,181)	(31,724)	(43,711)
Cash Flows from Noncapital Financing Activities						
Proceeds from Bonds and Notes	7,150	0	0	0	3,310	0
Contributed Capital from Non-State Sources	0	0	0	0	0	20,470
Operating Transfers:						
From Primary Government	0	0	0	0	0	27,147
To Primary Government	0	0	0	0	0	0
Principal Paid on Bonds and Notes	(400)	0	0	0	(12,585)	0
Other Noncapital Financing Activity	0	0	0	0	(57)	0
Net Cash Provided (Used) by Noncapital Financing Activities	$ 6,750	$ 0	$ 0	$ 0	$ (9,332)	$ 47,617

Medical Technology and Research Authority	Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Total	
							1998	1997
$ 171	$ (506)	$ (4)	$ (1,877)	$ 54,568	$ 62,491	$ 14,678	$ 54,792	$ 23,727
179	31	0	150	31,044	26,019	6,386	78,898	80,044
0	0	(2,409)	247	0	0	2,147	5,427	5,524
0	0	0	0	790	0	0	460	929
106	(14)	0	(763)	(300)	(2,551)	119	13,651	(4,393)
0	0	0	184	0	0	0	(1,037)	(1,498)
0	0	0	0	0	0	0	0	875
0	0	0	0	(383)	1,932	227	523	(5,114)
67	0	0	(15)	(21)	94	0	125	83
0	0	0	(10,995)	0	0	0	(44,028)	(18,838)
0	0	0	0	0	0	(12)	7	387
0	0	3,838	0	1,983	0	0	5,886	4,441
(3)	(60)	118	(450)	993	10	2,820	(9,812)	(674)
0	0	0	0	0	0	0	(108,497)	(27,754)
0	0	(100)	(183)	0	0	0	(387)	54
0	8	0	0	1,019	0	0	(14,874)	(16,628)
0	0	0	0	0	0	0	233	29
0	0	0	0	1,471	0	0	1,471	1,319
0	142	0	334	112	0	250	838	(413)
520	(399)	1,443	(13,368)	91,276	87,995	26,615	(16,324)	42,100
0	0	0	53,680	0	0	0	64,140	177,795
0	0	0	0	0	0	0	20,470	0
0	0	0	0	30,274	0	0	57,421	58,163
0	0	0	0	(30,274)	0	0	(30,274)	(60,303)
0	0	(5,670)	(51,704)	0	0	0	(70,359)	(152,869)
0	0	0	0	0	0	0	(57)	(759)
$ 0	$ 0	$ (5,670)	$ 1,976	$ 0	$ 0	$ 0	$ 41,341	$ 22,027

(continued)

Combining Statement of Cash Flows
Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

(continued)

	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	State Insurance Fund	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Cash Flows from Capital and Related Financing Activities						
Proceeds from Bonds and Notes Payable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Payments for Acquisition of Fixed Assets	(1)	0	(946)	(253)	(150)	(3,927)
Principal Paid on Bonds, Notes, and Capital Leases	0	0	0	0	0	(4,321)
Interest Paid on Bonds, Notes, and Capital Leases	0	0	0	0	0	0
Increase in Payable Under Securities Lending Agreement	0	0	(26,083)	(36,665)	0	0
Other Capital and Related Financing Activity	0	0	1	0	0	38
Net Cash (Used) by Capital and Related Financing Activities	(1)	0	(27,028)	(36,918)	(150)	(8,210)
Cash Flows from Investing Activities						
Interest and Investment Revenue	0	33	50,218	10,258	2,735	730
Fees Paid Under Security Lending Agreement	0	0	(12,149)	0	0	0
Increase in Security Lending Investment Pool	0	0	26,083	36,665	0	0
Proceeds from Sale and Maturity of Investments	41,178	0	913,052	254,694	144,059	0
Principal Received from Notes Receivable	6,356	0	0	0	0	0
Payments to Purchase Investments	(48,076)	0	(859,514)	(221,996)	(105,839)	0
Payments to Issue Notes Receivable	(6,648)	0	0	0	0	0
Net Cash Provided (Used) by Investing Activities	(7,190)	33	117,690	79,621	40,955	730
Net Increase (Decrease) in Cash/Cash Equivalents	(690)	447	(293)	(1,478)	(251)	(3,574)
Cash/Cash Equivalents - Beginning of Year	870	108	1,224	3,995	760	44,160
Cash/Cash Equivalents - Fiduciary Activities	0	0	0	109	0	0
Cash/Cash Equivalents - End of Year	$ 180	$ 555	$ 931	$ 2,626	$ 509	$ 40,586

Medical Technology and Research Authority	Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Total	
							1998	1997
$ 634	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 634	$ 10,664
(721)	(23)	0	(130)	(35,497)	(6,510)	(1,276)	(49,434)	(54,358)
(182)	0	0	0	(12,025)	(38,995)	(4,465)	(59,988)	(51,995)
0	0	0	0	(39,323)	(55,878)	(21,232)	(116,433)	(119,468)
0	0	0	0	0	0	0	(62,748)	36,803
(2)	0	0	0	0	260	0	297	184
(271)	(23)	0	(130)	(86,845)	(101,123)	(26,973)	(287,672)	(178,170)
0	825	2	4,411	10,237	13,569	5,151	98,169	101,478
0	0	0	0	0	0	0	(12,149)	(10,743)
0	0	0	0	0	0	0	62,748	(36,803)
0	1,818	2,313	126,079	94,252	51,416	52,347	1,681,208	1,601,963
0	655	0	0	0	0	71	7,082	5,213
0	(2,318)	0	(106,935)	(104,635)	(46,568)	(55,009)	(1,550,890)	(1,559,032)
0	(2,670)	0	0	0	0	0	(9,318)	(3,673)
0	(1,690)	2,315	23,555	(146)	18,417	2,560	276,850	98,403
249	(2,112)	(1,912)	12,033	4,285	5,289	2,202	14,195	(15,640)
339	3,771	2,058	17,839	45,859	5,878	26,844	153,705	169,345
0	0	0	0	0	0	0	109	105
$ 588	$ 1,659	$ 146	$ 29,872	$ 50,144	$ 11,167	$ 29,046	$ 168,009	$ 153,810

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To view the divider page featuring the art of Curt Boles and his biography, please click here.

Combining Financial Statements Component Unit - Higher Education Funds

Combining Financial Statements
- Component Unit
- Higher Education Funds

The Higher Education Component Unit is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The System includes the following colleges and universities:

COMPREHENSIVE UNIVERSITIES

University of Oklahoma
Oklahoma State University

OTHER FOUR YEAR UNIVERSITIES

University of Central Oklahoma
East Central University
Northeastern State University
Northwestern Oklahoma State University
Southeastern Oklahoma State University
Southwestern Oklahoma State University
Cameron University
Langston University
Oklahoma Panhandle State University
Rogers University
University of Science and Arts of Oklahoma

TWO YEAR COLLEGES

Carl Albert State College
Connors State College
Eastern Oklahoma State College
Redlands Community College
Murray State College
Northeastern Oklahoma A & M College
Northern Oklahoma College
Oklahoma City Community College
Rose State College
Seminole State College
Tulsa Community College
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education is governed by a Board of Regents (the "System"). The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

Board of Regents of Oklahoma Colleges has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

Oklahoma State Regents for Higher Education serves as the coordinating board of control for the System.

Ardmore Higher Education Program and **McCurtain County Higher Education Program** were established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning Students enrolled in the Programs earn credit applicable toward academic degrees and certificates at participating institutions in the System.

Rose State College Technical Area Education District, South Oklahoma City Area School District, and **Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts.

Combining Balance Sheet
Component Unit - Higher Education Funds
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Current Funds		
	Unrestricted	Restricted	Loan Funds
Assets			
Cash/Cash Equivalents	$ 205,062	$ 55,681	$ 3,461
Investments	125,699	20,680	61
Accounts Receivable	59,318	52,069	498
Interest and Investment Revenue Receivable	2,831	63	344
Federal Grants Receivable	0	1,919	36
Notes and Loans Receivable	0	0	43,364
Due from Other Funds	57,743	6,133	3,172
Due from Component Units	234	0	0
Due from Primary Government	5,139	0	0
Inventory	17,735	0	0
Prepaid Items	10,352	4	0
Fixed Assets, Net	0	0	0
Other Assets	144	177	0
Total Assets	$ 484,257	$ 136,726	$ 50,936
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Liabilities	$ 55,508	$ 11,778	$ 223
Interest Payable	0	0	0
Due to Other Funds	30,922	23,829	41
Due to Component Units	1,431	0	0
Due to Primary Government	246	0	0
Due to Others	0	0	0
Deferred Revenue	60,410	15,440	0
Capital Leases	0	0	0
Compensated Absences	39,954	3,861	0
Notes Payable	571	0	0
General Obligation Bonds	0	0	0
Revenue Bonds	0	0	0
Other Liabilities	573	5,936	3
Total Liabilities	189,615	60,844	267
Fund Balances			
Unrestricted	294,642	0	0
Restricted	0	75,882	50,669
Unexpended Plant Funds	0	0	0
Renewals and Replacements	0	0	0
Retirement of Indebtedness	0	0	0
Investment in Fixed Assets	0	0	0
Total Fund Balances	294,642	75,882	50,669
Total Liabilities and Fund Balances	$ 484,257	$ 136,726	$ 50,936

Endowment Funds	Plant Funds	Agency Funds	Total 1998	Total 1997
$ 5,811	$ 82,135	$ 5,192	$ 357,342	$ 386,571
197,315	50,544	1,608	395,907	329,647
1,051	500	184	113,620	95,303
432	837	0	4,507	2,709
0	0	0	1,955	1,415
0	0	0	43,364	42,512
610	121	15,492	83,271	77,112
0	0	0	234	4,597
0	0	0	5,139	5,869
0	0	0	17,735	20,087
0	427	0	10,783	9,670
0	1,979,130	0	1,979,130	1,870,346
16	494	2	833	3,339
$ 205,235	$ 2,114,188	$ 22,478	$ 3,013,820	$ 2,849,177
$ 28	$ 10,702	$ 77	$ 78,316	$ 76,286
0	2,668	0	2,668	2,928
22,088	6,188	203	83,271	78,272
0	0	0	1,431	3,229
0	0	0	246	272
0	0	22,198	22,198	18,567
0	215	0	76,065	90,959
0	16,852	0	16,852	18,455
0	0	0	43,815	39,508
0	10,145	0	10,716	10,911
0	4,740	0	4,740	6,425
0	174,444	0	174,444	165,067
16,388	148	0	23,048	14,992
38,504	226,102	22,478	537,810	525,871
0	0	0	294,642	307,960
166,731	0	0	293,282	215,736
0	76,400	0	76,400	81,924
0	2,251	0	2,251	1,752
0	22,704	0	22,704	21,992
0	1,786,731	0	1,786,731	1,693,942
166,731	1,888,086	0	2,476,010	2,323,306
$ 205,235	$ 2,114,188	$ 22,478	$ 3,013,820	$ 2,849,177

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Statistical Section

Statistical Section

STATISTICAL SECTION
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CASH RECEIPTS AND DISBURSEMENTS

(For all fund types combined)

by Category
For the Fiscal Years Ended June 30, 1989 through June 30, 1998

	1998	1997	1996	1995
Cash Receipts by Source:				
Taxes	$ 5,209,586,780	$ 4,951,517,415	$ 4,533,832,681	$ 4,292,825,694
Licenses, Permits, and Fees	147,912,938	144,622,951	126,746,123	125,546,800
Fines, Forfeits, and Penalties	10,762,072	9,603,493	9,712,974	12,922,896
Income from Money and Property	263,652,251	218,405,052	200,299,903	189,470,710
Grants, Refunds, and Reimbursements	3,074,473,470	2,598,674,805	2,664,011,649	2,342,091,497
Higher Education	167,947,916	142,535,049	163,733,815	150,907,027
Sales and Services	502,450,334	405,156,027	349,726,346	353,614,351
Non-Revenue Receipts	734,953,815	414,275,218	428,531,083	600,562,290
Total Collections	$ 10,111,739,576	$ 8,884,790,010	$ 8,476,594,574	$ 8,067,941,265
Disbursements by Function of Government:				
Education	$ 4,289,049,377	$ 3,768,208,810	$ 3,479,049,093	$ 3,363,972,223
General Government	311,969,847	285,182,151	258,065,326	232,779,824
Health Services	342,167,860	335,120,001	313,345,235	295,676,766
Legal and Judiciary	138,160,259	118,916,855	107,889,849	103,062,230
Museums	9,229,910	7,798,223	8,029,357	7,103,208
Natural Resources	199,996,020	191,578,397	174,284,377	165,215,892
Public Safety and Defense	539,917,199	473,378,027	428,385,545	394,732,689
Regulatory Services	102,076,996	102,733,288	99,065,119	94,526,541
Social Services	2,798,134,462	2,485,060,196	2,447,007,338	2,316,200,744
Transportation	843,838,823	774,131,933	776,979,475	680,440,719
Other Local Apportionments	58,771,755	40,524,674	39,104,818	38,215,192
Sinking Fund Payments on Bonded Debt	69,145,249	49,468,807	42,485,191	48,670,759
Total Disbursements	$ 9,702,457,757	$ 8,632,101,362	$ 8,173,690,723	$ 7,740,596,787

Prepared on a cash basis to aid in budgetary analysis.
For years prior to FY 97, cash basis numbers did not include amounts expended from Agency Special Accounts. These monies were not subject to the State's regular budgeting and expenditure processes.

1994	1993	1992	1991	1990	1989
$ 4,171,399,330	$ 4,004,262,875	$ 3,767,112,946	$ 3,732,786,561	$ 3,402,334,194	$ 3,271,621,248
114,190,748	113,409,593	111,042,458	100,840,990	97,319,103	71,901,507
12,713,597	11,975,799	6,980,944	6,216,510	6,357,738	4,594,677
160,427,452	184,869,454	218,903,029	234,014,771	206,658,787	194,064,413
2,230,459,216	2,149,710,999	2,144,771,088	1,900,189,845	1,792,878,154	1,836,159,992
155,495,049	132,592,295	111,400,434	130,120,595	135,360,114	116,253,845
350,148,435	396,832,644	383,543,021	390,263,499	261,543,572	257,067,619
664,277,305	763,837,201	500,503,475	432,251,486	371,527,999	320,755,068
$ 7,859,111,132	$ 7,757,490,860	$ 7,244,257,395	$ 6,926,684,257	$ 6,273,979,661	$ 6,072,418,369
$ 3,243,011,505	$ 3,094,920,009	$ 2,934,689,937	$ 2,759,703,679	$ 2,427,560,944	$ 2,317,485,881
217,894,423	230,095,993	222,111,235	229,921,339	212,881,881	245,470,408
285,088,005	297,114,426	295,806,883	260,821,678	249,065,028	221,851,629
98,207,598	96,169,096	89,485,986	78,796,103	71,645,627	64,349,921
7,787,539	7,285,465	7,076,222	5,963,354	5,315,985	4,803,043
145,877,414	131,516,482	126,076,211	109,614,320	102,106,584	93,364,416
376,683,833	353,878,439	351,705,324	342,336,219	265,849,343	247,220,558
93,424,312	85,222,082	74,985,759	83,769,888	63,973,681	62,004,860
2,219,811,291	2,262,275,215	2,345,644,915	2,227,481,279	1,845,726,015	1,680,023,498
649,409,416	634,285,372	641,074,879	635,104,373	645,154,749	644,184,846
38,434,483	33,679,675	15,680,219	13,037,225	10,832,876	14,836,687
47,876,004	41,946,165	42,543,878	21,796,136	19,186,264	18,806,600
$ 7,423,505,823	$ 7,268,388,419	$ 7,146,881,448	$ 6,768,345,593	$ 5,919,298,977	$ 5,614,402,347

TAX COLLECTIONS

For the Fiscal Years Ended June 30, 1989 through June 30, 1998

Taxes	1998	1997	1996	1995
Aircraft Excise Tax	$ 1,756,312	$ 2,453,179	$ 1,681,776	$ 1,853,999
Alcoholic Beverage Excise Tax	21,077,364	20,987,501	20,845,359	20,211,389
Alternative Fuel Surcharge	148,311	166,328	182,018	133,284
Beverage Tax	22,458,552	22,588,694	22,978,605	22,461,075
Bingo Tax	9,807,638	12,289,463	12,359,983	11,816,705
Charity Games Tax	785,001	1,138,144	1,196,451	1,039,031
Cigarette Tax	59,029,445	59,748,356	60,527,991	58,332,155
City Use Tax - Collect/Deposit	444,099	377,102	346,360	295,570
Coin Operated Device Decal	3,775,631	2,436,631	3,814,318	3,404,098
Conservation Excise Tax	-	-	75,193	873,542
Diesel Fuel Excise Tax	69,061,184	66,156,283	76,058,267	62,902,742
Documentary Stamp Tax	7,844,930	6,885,045	6,604,360	5,961,293
Franchise Tax	42,131,950	37,983,444	36,264,543	36,721,223
Freight Car Tax	973,689	1,051,553	970,565	1,515,736
Fuels Excise Tax	36,000	539,333	1,494,378	1,460,982
Gasoline Excise Tax	283,082,667	280,344,427	263,258,712	267,138,186
Gross Production Tax - Oil and Gas	333,773,839	398,743,724	315,549,773	301,524,689
Income Tax (Corporate and Individual)	2,107,857,522	1,918,772,165	1,700,792,804	1,592,915,946
Inheritance and Estate Tax	81,385,630	80,513,845	67,881,873	68,789,242
Insurance Premium Tax	121,582,595	113,819,384	108,625,507	103,957,280
Mixed Beverage Gross Receipts Tax	13,366,577	12,618,051	12,018,242	11,395,625
Occupational Health and Safety Tax	1,783,346	1,797,088	1,895,164	1,819,752
OESC Computer Fund Assessment	19,473,028	-	-	-
Pari-Mutuel Taxes	4,743,674	3,744,615	3,312,299	3,151,651
Pari-Mutuel Exotic Wager	-	-	-	-
Pari-Mutuel - Other Tax	39,075	27,753	66,363	129,878
Petroleum Excise Tax	4,722,738	5,306,110	4,279,030	4,072,789
Rural Electric Co-operative Tax	14,037,824	13,758,308	13,401,177	13,154,486
Sales Tax	1,245,355,208	1,193,727,537	1,135,594,213	1,076,970,533
Sales Tax - City	8,456,320	8,071,662	7,792,195	7,360,330
Sales Tax - County	892,807	771,848	615,674	632,306
Self-Insurance Premium Tax	-	-	-	88,739
Special Fuel Decal	462,007	497,380	558,653	594,524
Special Fuel Use Tax	63,764	94,774	92,598	136,419
Tag Agent Remittance Tax	582,199,329	541,334,368	516,519,709	490,213,416
Telephone Surcharge	1,058,214	1,006,694	997,902	951,735
Tobacco Products Tax	11,072,673	11,198,865	11,256,079	11,303,560
Tourism Gross Receipt Tax	3,744,091	3,466,923	3,077,388	2,978,677
Tribal Compact in Lieu of Tax Payments	7,484,832	6,888,623	6,172,567	4,829,309
Unclaimed Property Tax	6,120,039	4,465,704	10,116,730	5,760,279
Unclassified Tax Receipts	-	-	-	98,332
Use Tax	82,939,748	78,877,952	66,388,592	59,630,927
Vehicle Revenue Tax Stamps	43,837	45,005	44,800	41,592
Workers' Compensation Awards - Assessments	21,415,556	22,677,854	23,386,339	20,129,038
Workers' Compensation Insurance Premium Tax	5,503,954	6,037,222	7,245,625	7,042,702
Other Taxes	7,595,780	8,108,478	7,492,506	7,030,928
Total	$ 5,209,586,780	$ 4,951,517,415	$ 4,533,832,681	$ 4,292,825,694

Prepared on a cash basis to aid in budgetary analysis.

1994	1993	1992	1991	1990	1989
$ 1,402,816	$ 1,630,073	$ 1,778,536	$ 1,533,394	$ 2,619,952	$ 2,287,367
21,133,027	20,947,382	22,147,248	20,917,099	20,408,760	21,536,591
198,749	170,892	98,846	-	-	-
22,827,056	21,810,405	21,487,488	21,503,791	20,561,344	20,008,678
10,883,377	5,026,496	-	-	-	-
1,515,757	1,146,840	-	-	-	-
58,251,171	60,456,532	60,339,722	61,058,310	65,306,944	71,983,400
251,529	207,169	196,043	161,228	146,516	110,031
3,972,441	4,071,043	3,377,121	4,518,184	3,315,589	3,871,644
501,863	844,262	2,687,396	1,967,459	2,810,606	2,708,157
56,987,746	53,640,018	51,035,710	49,756,094	49,793,751	52,348,344
6,281,264	5,032,770	4,485,783	4,256,584	4,523,067	4,470,220
32,817,309	34,341,621	33,900,715	31,387,096	29,880,117	31,229,430
1,135,505	853,410	808,281	819,329	910,183	924,943
1,456,769	1,379,576	1,344,661	1,359,443	1,400,990	1,493,381
268,605,663	258,493,935	249,822,104	246,342,350	255,570,383	255,760,913
367,736,133	404,905,673	342,177,274	404,143,185	384,510,644	362,252,512
1,490,180,078	1,453,295,598	1,369,734,220	1,357,169,347	1,117,562,159	1,070,523,781
58,052,250	50,943,472	46,962,269	39,465,754	67,189,006	36,016,804
105,344,076	92,916,758	91,363,715	85,450,248	85,439,519	130,254,455
11,338,883	11,176,891	11,345,355	11,297,842	11,274,726	11,033,139
1,811,543	1,601,694	1,487,888	1,216,596	1,019,501	954,296
-	-	-	-	-	-
3,600,525	3,845,857	4,282,925	5,231,046	5,081,419	4,095,103
3,535	66,612	2,189,171	2,340,059	2,313,262	1,626,526
161,939	160,441	775,809	773,269	935,992	617,371
5,086,869	5,409,358	4,641,228	5,318,067	4,663,049	4,390,949
13,404,328	12,927,846	13,195,104	13,041,716	12,531,764	12,381,751
1,033,687,832	957,681,580	909,604,940	909,774,294	795,599,133	737,982,515
6,848,307	6,265,328	6,107,216	5,836,086	5,525,657	5,258,013
297,025	236,598	224,793	170,159	150,969	332,159
148,189	139,114	125,936	110,072	89,309	77,983
650,516	665,844	567,501	555,056	519,208	548,963
222,505	473,876	556,052	589,029	615,611	581,359
472,071,427	428,320,724	408,854,360	389,604,571	375,972,305	359,026,573
930,015	878,254	77,478	61,631	850,367	839,508
10,622,404	9,664,544	9,010,579	8,604,570	8,231,987	7,773,135
2,638,751	2,505,566	2,455,025	2,245,474	2,171,809	1,985,331
3,790,436	1,787,138	-	-	-	-
6,901,353	7,659,463	9,073,096	4,399,862	2,750,647	4,014,133
75,339	28,477	48,838	59,924	9,825	42,736
51,880,903	49,323,050	48,267,881	46,940,425	42,324,689	34,155,843
41,555	38,138	36,187	46,552	34,364	34,605
21,160,528	17,779,633	11,626,131	9,452,730	8,084,668	7,586,525
6,880,624	6,550,637	5,396,592	4,352,553	4,230,596	3,731,544
7,609,420	6,962,261	7,415,703	8,198,857	4,678,214	4,137,096
$ 4,171,399,330	$ 4,004,262,849	$ 3,761,112,920	$ 3,762,029,335	$ 3,401,608,601	$ 3,270,987,807

GROSS SALES TAX BY INDUSTRY

For the Fiscal Year Ended June 30, 1998

Industry	Gross Sales Tax
General Merchandise Stores	$ 214,193,854
Food Stores	191,334,365
Eating and Drinking Establishments	120,114,523
Wholesale Trade-Durable Goods	99,354,792
Miscellaneous Retail Stores	98,201,957
Furniture, Home Furnishings, and Equipment Stores	80,333,054
Communications	77,321,349
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers	75,999,591
Automotive Dealers and Gasoline Service Stations	48,103,695
Business Services	40,308,846
Apparel and Accessory Stores	39,997,147
Electric, Gas, and Sanitary Services	36,069,280
Wholesale Trade-Nondurable Goods	22,513,845
Hotels, Rooming Houses, Camps, and Other Lodging Places	18,792,913
Automotive Services	14,118,155
Amusement and Recreation Services, except Motion Pictures	9,425,281
Non-Classifiable Establishments	8,541,810
Personal Services	8,097,840
Stone, Clay, Glass, and Concrete Products	6,860,458
Motion Pictures	6,168,159
Printing, Publishing, and Allied Industries	4,196,945
Electrical and Electronic Machinery, Equipment, and Supplies	4,029,133
Machinery, except Electrical	3,937,057
Miscellaneous Repair Services	2,700,689
Fabricated Metal Products, except Machinery and Transportation Equipment	1,901,945
Construction-Special Trade Contractors	1,703,011
Oil and Gas Extraction	1,527,190
Membership Organizations	1,494,699
Health Services	1,404,482
Educational Services	1,128,263
Measuring, Analyzing, and Controlling Instruments	1,055,436
Lumber and Wood Products, except Furniture	993,124
Miscellaneous Manufacturing Industries	764,803
Petroleum Refining and Related Industries	733,537
Chemicals and Allied Products	718,007
Food and Kindred Products	675,630
Local and Suburban Transit and Interurban Highway Passenger Transportation	661,348
Transportation Equipment	602,780
Agricultural Services	584,091
Credit Agencies other than Banks	481,426
Engineering, Architectural, and Surveying Services	458,621
Furniture and Fixtures	393,975
Building Construction - General Contractors and Operative Builders	315,448
Other Industries	2,378,997
Total	$ 1,250,691,551

Source: Oklahoma Tax Commission

BANK DEPOSITS

for the Years 1988 through 1997

Year	# of Banks	$ Amount of Deposits
1997	320	27,782,228,000
1996	332	29,934,094,000
1995	342	28,686,783,000
1994	350	27,406,069,000
1993	371	26,881,835,000
1992	394	26,591,862,000
1991	411	24,745,757,000
1990	419	23,598,333,000
1989	430	23,014,286,000
1988	465	23,036,009,000

Source: Federal Reserve Bank of Kansas City
For statistics presented after June 1996, comparisons to the prior years should take into account the effects of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

ASSESSED VALUATIONS

For the Years 1989 through 1998

	1998	1997	1996	1995
Real Estate and Improvements	$ 9,547,705,065	$ 9,134,059,265	$ 8,738,449,049	$ 8,395,607,977
Personal Property Subject to Tax	2,448,630,626	2,301,719,971	2,086,267,080	2,057,628,937
Total Locally Assessed	11,996,335,691	11,435,779,236	10,824,716,129	10,453,236,914
Homestead Exemptions Allowed	700,654,186	694,938,232	691,944,964	689,302,818
Net Assessed Locally	11,295,681,505	10,740,841,004	10,132,771,165	9,763,934,096
Public Service Assessment	2,009,118,864	2,066,005,099	2,063,227,985	2,023,137,118
Net Assessed Valuation	$ 13,304,800,369	$ 12,806,846,103	$ 12,195,999,150	$ 11,787,071,214

Locally assessed property has been assessed at varying rates. This property is valued, assessed, and taxed locally. Public Service property is valued and assessed at a central state level, and taxed and collected at the local level. The rate of assessment varies by type of property.

Source: Oklahoma Tax Commission

NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT

Annual Average Number of Employees
For the Years 1988 through 1997

INDUSTRY GROUP	1997	1996	1995	1994
Wholesale and Retail Trade	324,000	318,300	312,400	301,300
Services	377,700	363,300	343,800	320,100
Manufacturing	180,400	174,100	170,500	169,800
Local Government	152,100	151,200	150,100	148,500
State Government	78,000	76,400	76,100	76,600
Transportation and Public Utilities	79,200	77,300	74,000	72,800
Finance, Insurance, and Real Estate	69,300	67,200	65,400	64,300
Federal Government	44,600	43,800	43,600	45,100
Mining	31,700	31,600	31,600	34,400
Construction	50,500	50,300	48,200	46,700
Totals	1,387,500	1,353,500	1,315,700	1,279,600

Source: Oklahoma Employment Security Commission - Research and Planning Division

1994	1993	1992	1991	1990	1989
$ 8,037,465,631	$ 7,843,783,897	$ 7,742,345,977	$ 7,680,130,611	$ 7,690,654,189	$ 7,816,492,107
2,028,445,909	2,014,749,962	1,991,659,840	1,921,683,561	1,812,267,835	1,787,889,265
10,065,911,540	9,858,533,859	9,734,005,817	9,601,814,172	9,502,922,024	9,604,381,372
685,897,647	682,717,943	681,931,910	710,235,908	715,210,089	719,857,032
9,380,013,893	9,175,815,916	9,052,073,907	8,891,578,264	8,787,711,935	8,884,524,340
1,980,070,550	1,868,033,971	1,835,701,692	1,905,964,059	1,904,133,857	1,904,198,506
$ 11,360,084,443	$ 11,043,849,887	$ 10,887,775,599	$ 10,797,542,323	$ 10,691,845,792	$ 10,788,722,846

1993	1992	1991	1990	1989	1988
289,600	286,200	285,300	280,500	276,100	273,300
305,900	293,100	279,800	272,900	263,600	246,700
168,600	163,800	168,900	168,800	164,400	161,400
146,100	142,300	135,900	132,800	132,700	128,100
76,400	78,000	76,900	75,600	72,600	69,200
72,400	70,600	70,400	68,700	65,600	63,700
62,200	60,700	60,900	60,300	58,800	58,700
47,300	49,800	49,600	50,800	51,900	51,200
35,700	37,500	41,900	43,300	42,200	44,600
42,800	39,800	38,800	39,600	36,100	35,200
1,247,000	1,221,800	1,208,400	1,193,300	1,164,000	1,132,100

STATE COLLEGES AND UNIVERSITIES - PUBLIC

Four Year Universities (Location)	Student Enrollment 1998
University of Oklahoma (Norman Campus, Health Sciences Center, Law Center, and Geological Survey)	30,775
Oklahoma State University (Stillwater Campus, School of Technical Training at Okmulgee, the College of Veterinary Medicine, the Oklahoma City Technical Institute, the Agricultural Experiment Station, the Agricultural Extension Division, and Oklahoma College of Osteopathic Medicine and Surgery)	32,627
University of Central Oklahoma (Edmond)	18,261
East Central University (Ada)	5,600
Northeastern State University (Tahlequah)	10,304
Northwestern Oklahoma State University (Alva)	2,571
Southeastern Oklahoma State University (Durant)	4,869
Southwestern Oklahoma State University (Weatherford and Sayre)	5,925
Cameron University (Lawton)	7,469
Langston University (Langston)	4,198
Oklahoma Panhandle State University (Goodwell)	1,593
Rogers University (Claremore and Tulsa)	4,462
University of Science and Arts of Oklahoma (Chickasha)	1,776
Total - Four Year Universities	130,430
Two Year Junior Colleges (Location)	
Carl Albert State College (Poteau)	3,076
Connors State College (Warner)	2,826
Eastern Oklahoma State College (Wilburton)	2,444
Redlands Community College (El Reno)	2,700
Murray State College (Tishomingo)	2,285
Northeastern Oklahoma A&M College (Miami)	3,038
Northern Oklahoma College (Tonkawa)	3,232
Oklahoma City Community College (Oklahoma City)	14,364
Rose State College (Midwest City)	11,521
Seminole State College (Seminole)	2,435
Tulsa Community College (Tulsa)	27,903
Western Oklahoma State College (Altus)	2,857
Total - Two Year Junior Colleges	78,681

Source: Oklahoma State Regents for Higher Education

STATE COLLEGES AND UNIVERSITIES - PRIVATE

~~Higher Education Institutions (Location)~~	Student Enrollment 1998
Bacone College (Muskogee)	498
Bartlesville Wesleyan College (Bartlesville)	759
Hillsdale Freewill Baptist College (Moore)	229
Mid-America Bible College (Oklahoma City)	551
National Education Center: Spartan School of Aeronautics (Tulsa)	1,200
Oklahoma Baptist University (Shawnee)	2,402
Oklahoma Christian University of Science and Arts (Oklahoma City)	1,658
Oklahoma City University (Oklahoma City)	5,655
Oral Roberts University (Tulsa)	4,920
Phillips University (Enid)	573
St. Gregory's College (Shawnee)	726
Southern Nazarene University (Bethany)	1,994
Southwestern College of Christian Ministries (Bethany)	180
University of Tulsa (Tulsa)	4,779
Total	26,124

Source: Oklahoma State Regents for Higher Education

SCHOOL ENROLLMENTS

For the Years 1989 through 1998

Public School Enrollments:	1998	1997	1996	1995
Pre-Kindergarten	4,289	3,644	5,069	4,911
Kindergarten	55,669	55,037	52,150	49,839
Elementary School	268,215	269,928	273,429	274,994
Junior High School	131,547	132,568	130,208	127,750
Senior High School	173,160	172,962	167,359	161,933
Non-High School Districts (Grades 1-8)	18,236	18,035	17,883	17,473
Special Education (Ungraded)	3,359	3,367	3,279	3,224
Total	654,475	655,541	649,377	640,124
Higher Education:				
Public Institutions	209,111	210,824	216,400	223,279
Private Institutions	26,124	24,849	25,401	24,627
Total	235,235	235,673	241,801	247,906
Vocational-Technical Education:				
Secondary *	132,736	130,856	122,271	120,481
Adult	332,971	275,114	248,094	222,384
Total	465,707	405,970	370,365	342,865

* These students may also be included in public school enrollments above.
Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical Education

ECONOMIC AND DEMOGRAPHIC ESTIMATES

For the Years 1988 through 1997

	1997	1996	1995	1994
Population	3,317,100	3,295,300	3,271,400	3,248,300
Labor Force	1,599,870	1,576,630	1,546,270	1,544,260
Total Employment	1,533,900	1,512,610	1,473,610	1,454,360
Oklahoma Unemployment Rate	4.10%	4.10%	4.70%	5.80%
U.S. Unemployment Rate	4.94%	5.40%	5.60%	6.10%
Oklahoma Per Capita Income	$20,214	$19,363	$18,560	$17,984
Oklahoma Per Capita Income Expressed As a Percentage of the U.S. Average	79.90%	80.12%	80.48%	81.54%

Sources: Oklahoma Employment Security Commission - Research and Planning Division and Office of State Finance - Economic and Fiscal Policy Research Division

1994	1993	1992	1991	1990	1989
5,304	4,765	4,034	3,075	-	-
47,698	48,041	48,469	49,121	49,727	50,920
278,076	282,749	278,772	277,626	271,554	262,553
124,610	118,516	119,495	117,259	113,604	108,369
157,291	150,405	142,837	144,459	147,282	151,096
17,538	17,259	17,575	17,347	18,167	18,455
2,808	2,817	2,246	2,647	3,942	14,378
633,325	624,552	613,428	611,534	604,276	605,771
224,829	238,244	228,718	218,601	216,290	220,719
25,839	25,433	27,336	28,836	23,894	24,569
250,668	263,677	256,054	247,437	240,184	245,288
107,894	102,852	96,275	91,039	82,763	84,215
191,261	191,137	218,072	300,533	296,091	266,503
299,155	293,989	314,347	391,572	378,854	350,718

1993	1992	1991	1990	1989	1988
3,232,900	3,206,200	3,167,700	3,145,585	3,150,300	3,167,100
1,529,460	1,520,840	1,499,930	1,513,830	1,523,000	1,524,000
1,435,790	1,433,460	1,399,170	1,427,880	1,438,000	1,422,000
6.10%	5.70%	6.70%	5.70%	5.60%	6.70%
6.80%	7.40%	6.70%	5.50%	5.30%	5.50%
$17,360	$16,837	$16,064	$15,584	$14,187	$13,310
81.79%	81.81%	81.81%	81.41%	80.20%	80.13%

MAJOR EMPLOYERS BY SIZE

Non-Government (Listed Alphabetically)
1998

5,001 OR MORE EMPLOYEES

AMR, Corp.
Columbia HCA Healthcare
Integris Health
Wal-Mart Stores, Inc.

3,001 TO 5,000 EMPLOYEES

W. H. Braum, Inc.
Commercial Financial Services
Dillard Department Stores
General Motors Corporation
SSM Healthcare of Oklahoma
The Hertz Corporation
Homeland Stores
Lucent Technologies
Mercy Health Center
Phillips Petroleum Co.
Southwestern Bell Telephone Co.
St. John Medical Center, Inc.

1,001 TO 3,000 EMPLOYEES

Albertson's
American Nursery Products, Inc.
Amity Care Corporation
Amoco Corporation
Arrow Trucking Co.
Avis Rent-A-Car System, Inc.
BankOne
BOK Financial Group
Brinker International, Inc.
CMI Corporation
Central and South West
CITGO Petroleum Corp. (Cities Service)
Conoco, Inc.
Dayton Tire, Division of Bridgestone
Deaconess Hospital
Eateries, Inc.
First Data Resources, Inc.
Fleming Companies, Inc.
Flint Industries, Inc.
Fort James Paper Company
Goodyear Tire and Rubber Company
Hale-Halsell Co.
Halliburton Services
Helmerich & Payne, Inc.
Hillcrest Health Center
Horner Foods, Inc.
ITI Telemarketing
K-Mart Corporation
L.S.B. Industries, Inc.
McDonald's Restaurants of Okla., Inc.
MerCruiser
Midwest City Regional Hospital
Montgomery Ward & Co., Inc.
Musket Corporation (Love's Country Store)
Muskogee Regional Medical
Nordam
Norman Regional Hospital
Oklahoma City University
Oklahoma Gas & Electric Co.
The Oklahoma Publishing Company
OneOK, Inc.
On-Line Communication
Oral Roberts University
Parker Drilling Company
J. C. Penney Co., Inc.
Saint Francis Hospital
Seagate Technology
Sears, Roebuck and Co.
Snappy Car Rental
State Farm Mutual Automobile Insurance
Sykes Enterprise
Target Stores
Tyson Foods, Inc.
UNC Lear Siegler Management Services Corp
The Uniroyal Goodrich Tire Co.
Unit Parts Co.
United Parcel Service of America, Inc.
United Supermarkets of Oklahoma, Inc.
United Video Satellite Group, Inc.
Warehouse Market
The Williams Companies, Inc.
Worldcom Network Services, Inc.
Wrangler, Inc.

500 TO 1000 EMPLOYEES
(Oklahoma-based Employers Only)

Acme Engineering and Manufacturing	Mazzio's Corporation, Inc.
American Fidelity Group	Noble Affiliates
Candid Color Systems/Glamour Shots	Oklahoma Fixture Company
Charles Machine Works (Ditch Witch International)	Oklahoma Nursing Homes Ltd.
Crest Discount Foods, Inc.	QuikTrip Corporation
Dolese Bros. Co.	Remington Park, Inc.
Dollar Thrifty Automotive Group	St. Mary's Hospital
Farm Fresh, Inc.	Sonic Industries, Inc.
Harold's Stores, Inc.	Southwest Cupid
Hillcrest Health Center, Inc.	United Design Corporation
Jane Phillips Episcopal Hospital	Valley View Regional Hospital
Kerr-McGee Corporation	Whitlock Packaging Corp
Lowrance Electronics, Inc.	World Publishing Company
Macklanburg-Duncan	

Source: Oklahoma Department of Commerce

NET GENERAL OBLIGATION BONDS AND NOTES PER CAPITA

For the Years 1991 through 1998
(amounts expressed in thousands with the exception of General Bonded Debt Per Capita)

Fiscal Year Ended June 30	Population	Total General Bonded Debt (1)	Debt Payable From Proprietary Component Units	Debt Payable From Higher Education Component Units	Net General Bonded Debt	General Bonded Debt Per Capita
1998	est 3,317	$ 391,658	$ 68,823	$ 4,740	$ 318,095	$ 95.90
1997	3,317	395,038	62,073	6,425	326,540	98.44
1996	3,295	395,420	53,040	7,700	334,680	101.57
1995	3,271	404,715	55,085	5,150	344,480	105.31
1994	3,248	428,925	67,320	6,475	355,130	109.34
1993	3,233	340,745	81,030	-	259,715	80.33
1992	3,206	95,665	81,115	-	14,550	4.54
1991	3,168	96,345	72,660	-	23,685	7.48

(1) General Bonded Debt is the bonded debt expected to be repaid through general governmental resources.

Notes:

Comparable data for the fiscal years June 30, 1989 through June 30, 1990 is not available.

Assessed value data is not presented in this table because the State of Oklahoma does not receive property tax revenue.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

For the Years 1991 through 1998
(amounts expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1998	$ 8,445	$ 19,679	$ 28,124	$ 7,107,918	0.40%
1997	8,115	16,417	24,532	6,937,902	0.35%
1996	9,800	16,930	26,730	6,688,130	0.40%
1995	10,580	17,480	28,060	6,338,769	0.44%
1994	4,670	9,638	14,308	5,675,628	0.25%
1993	4,510	613	5,123	5,171,373	0.10%
1992	7,400	1,359	8,759	5,112,494	0.17%
1991	11,250	1,282	12,532	4,636,483	0.27%

General Governmental Expenditures include the General and Capital Projects Funds.

Comparable data for the fiscal years June 30, 1989 through June 30, 1990 is not available.

REVENUE BOND COVERAGE
ENTERPRISE FUND AND PROPRIETARY COMPONENT UNITS

(amounts expressed in thousands)

		Gross Revenues (1)	Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Requirements	Debt Service Coverage
Enterprise Fund:						
Oklahoma Water Resources Board						
For the fiscal year ended June 30,	1998	$ 12,411	$ 816	$ 11,595	$ 15,226	0.76
	1997	10,061	777	9,284	15,508	0.60
	1996	10,091	746	9,345	11,218	0.83
	1995	12,577	835	11,742	60,160	0.20
	1994	11,471	1,423	10,048	12,075	0.83
	1993	9,483	493	8,990	9,981	0.90
	1992	9,306	697	8,609	12,227	0.70
	1991	10,176	573	9,603	16,790	0.57
Proprietary Component Units:						
Oklahoma Student Loan Authority						
For the fiscal year ended June 30,	1998	$ 16,806	$ 2,806	$ 14,000	$ 12,753	1.10
	1997	14,373	2,401	11,972	12,332	0.97
	1996	12,874	2,048	10,826	5,897	1.84
	1995	10,324	2,134	8,190	6,324	1.30
	1994	8,532	2,358	6,174	3,727	1.66
	1993	8,827	2,083	6,744	20,453	0.33
	1992	11,213	2,359	8,854	13,347	0.66
	1991	12,492	2,063	10,429	5,171	2.02
Oklahoma Environmental Finance Authority						
For the fiscal year ended June 30,	1998	$ 2,607	$ 17	$ 2,590	$ 3,622	0.72
	1997	2,674	18	2,656	3,685	0.72
	1996	2,732	12	2,720	3,713	0.73
	1995	2,800	13	2,787	3,514	0.79
	1994	2,868	12	2,856	3,782	0.76
	1993	3,220	38	3,182	7,343	0.43
	1992	3,236	13	3,223	4,580	0.70
Oklahoma Housing Finance Agency						
For the fiscal year ended September 30,	1997	$ 49,053	$ 8,463	$ 40,590	$ 43,536	0.93
	1996	50,599	8,330	42,269	60,771	0.70
	1995	52,149	7,846	44,303	45,074	0.98
	1994	53,810	8,342	45,468	53,105	0.86
	1993	67,008	10,171	56,837	71,806	0.79
Oklahoma Turnpike Authority						
For the fiscal year ended December 31,	1997	$ 131,279	$ 32,713	$ 98,566	$ 53,450	1.84
	1996	122,501	33,160	89,341	50,830	1.76
	1995	117,136	33,626	83,510	50,527	1.65
	1994	109,691	33,117	76,574	44,510	1.72
	1993	96,828	31,477	65,351	37,346	1.75
	1992	83,214	29,192	54,022	17,899	3.02
	1991	74,778	26,219	48,559	16,522	2.94
	1990	61,834	19,828	42,006	15,393	2.73
Grand River Dam Authority						
For the fiscal year ended December 31,	1997	$ 192,904	$ 89,046	$ 103,858	$ 111,560	0.93
	1996	188,672	93,054	95,618	92,828	1.03
	1995	181,018	83,616	97,402	92,223	1.06
	1994	180,751	84,315	96,436	90,266	1.07
	1993	175,242	76,799	98,443	101,726	0.97
	1992	161,046	72,542	88,504	95,436	0.93
	1991	159,599	82,935	76,664	95,562	0.80
	1990	158,403	75,114	83,289	82,761	1.01
Oklahoma Municipal Power Authority						
For the fiscal year ended December 31,	1997	$ 88,127	$ 61,304	$ 26,823	$ 24,622	1.09
	1996	82,840	45,948	36,892	22,932	1.61
	1995	72,988	39,617	33,371	22,983	1.45
	1994	74,931	43,872	31,059	22,203	1.40
	1993	70,922	44,392	26,530	18,397	1.44
	1992	68,194	42,497	25,697	17,861	1.44
	1991	71,217	45,104	26,113	18,223	1.43
	1990	72,700	46,746	25,954	17,313	1.50

(1) Gross revenues including interest and investment income but excluding revenues restricted to other debt
(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.
- Comparable data for the fiscal years June 30, 1989 through June 30, 1990 is not available.
- Upon implementation of GASB Statement 14, the Oklahoma Housing Finance Agency was included within the State's reporting entity. Comparable data prior to their inclusion is not available.

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